



## **FORM ADV PART 2**

March 29, 2011

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This brochure provides information about the qualifications and business practices of Carter Asset Management, Inc. (“Adviser” or “CAM”). If you have any questions about the contents of this Brochure, please contact us at (325) 673-6171 and/or [dcarter@carterasset.com](mailto:dcarter@carterasset.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.

Carter Asset Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about Carter Asset Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 29, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide additional ongoing disclosure information about material changes as necessary.

Further, we will provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Carolyn Newton, Sr. Accounts Administrator at (325) 673-6171 or [cnewton@carterasset.com](mailto:cnewton@carterasset.com). Our Brochure is also available on our web site, [www.carterasset.com](http://www.carterasset.com), free of charge.

Additional information about Carter Asset Management, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any individuals affiliated with Carter Asset Management, Inc. who are registered, or are required to be registered, as investment adviser representatives of Carter Asset Management, Inc.

## TABLE OF CONTENTS

Cover Page .....	i
Material Changes .....	ii
Table of Contents .....	iii
Advisory Business .....	1
Fees and Compensation .....	3
Performance-Based Fees and Side-By-Side Management .....	5
Types of Clients .....	5
Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Disciplinary Information .....	7
Other Financial Industry Activities and Affiliations .....	7
Code of Ethics .....	8
Brokerage Practices .....	9
Review of Accounts .....	10
Client Referrals and Other Compensation .....	11
Custody .....	11
Investment Discretion .....	12
Voting Client Securities .....	13
Financial Information .....	13
Brochure Supplement(s)	
David L. Carter .....	14
Cary D. Beard .....	19
Dillon A. Cobb .....	24

## ADVISORY BUSINESS

Carter Asset Management, Inc. (“Carter Asset Management” or “CAM” or “the Adviser”) provides fee-only Investment Management, Investment Consultation and Financial Planning Services. Carter Asset Management provides Investment Supervisory and Management Services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

Carter Asset Management, Inc. was incorporated in February 1997 after commencing fee-only investment services in David L. Carter, P.C. in May 1996. The firm has been in business since this time. David L. Carter is the President of the Firm and owns 100% of the company. As of March 29, 2011, Carter Asset Management is responsible for the discretionary management of \$155.6 million in client assets.

Carter Asset Management consults with a number of non-profit organizations to assist them with financial matters relating to foundations, charitable trusts, endowments, and charitable gift annuities, among other items. In certain situations, CAM is engaged by the executive director of the non-profit organization, president of a foundation, or the trustee of the certain charitable trusts to manage the assets in the trusts or the organization’s endowment, gift annuity proceeds, and other assets. Neither Carter Asset Management nor any of the Firm’s Registered Investment Advisor Representatives acts as custodian or trustee for any charitable trust or other assets for which it has management responsibilities.

Investment Management Services begin with an initial interview and data gathering in an effort to determine the Client’s individual needs, goals, investment time horizons and risk tolerance. Based upon information provided by the Client, the Adviser will prepare recommendations for investments, which may include planning for long-range goals (*i.e.*, retirement preparation planning, long-term endowments/foundations, or college funding) or other segments of an investment plan that may be needed. The advisory services provided by Carter Asset Management are uniquely tailored to the individual needs of each client. The firm does not use model portfolios where clients are assigned a specific pre-determined portfolio.

Recommended investments may include short-term instruments (*i.e.* T-Bills, money market accounts), stocks, bonds, stock mutual funds, bond mutual funds, exchange-traded Real Estate Investment Trusts (REITS), oil and gas income funds, or other investment vehicles. Once the recommendations are implemented, Carter Asset Management provides ongoing review, management, and reporting for the investment portfolio. The underlying portfolio assets will be reviewed internally on a frequent basis, depending upon the types of investments, market conditions, or as often as individual circumstances may warrant or as the Client may prefer. Recommendations are made by the Firm when the investment advisors determine that a client should meet to re-evaluate their current Investment Policy Statement, which is being followed by the Firm.

Carter Asset Management strongly encourages Clients to maintain ongoing contact with the Firm and requests consultations with Clients not less than once annually to review and update investment

and ongoing financial and investment needs. However, Clients are obligated to contact Carter Asset Management promptly if there has been any change in the Client's current financial status information to determine if there needs to be a change in investment objectives and strategies, along with an appropriate modification to the Client's formal, written Investment Policy Statement. Clients may call the office at any time during normal business hours to discuss the Client's portfolio, financial situation or investment needs.

Clients will receive transaction statements as they may occur, as well as regular account statements from custodians or brokerage firms. Additionally, Investment Management Clients may be able to access portfolio information via the custodian's website. The Adviser, however, provides detailed portfolio performance reports quarterly and on other occasions as determined appropriate.

All Clients have a direct and beneficial interest in their own individual brokerage accounts that hold their own securities, rather than an undivided interest in a pool of securities. Carter Asset Management does not and will not have custody of Clients' funds or securities. An independent third party firm provides execution and custodial services for our Clients.

Carter Asset Management does not routinely aggregate (or block) trades when executing transactions for its various Clients due to the nature of our services, the individual nature of the management of a client portfolio and the size of most trades. Block trades are generally utilized to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. The Adviser does acknowledge its obligation as a fiduciary to provide best execution given the circumstances of each transaction. When certain opportunities present economic benefit to aggregate trades due to a larger scale of effort that can achieve economies for Clients, this is done when possible.

In these certain circumstances, the Adviser will execute block trades. In this situation, Carter Asset Management will prepare an allocation statement, specifying the participating Client accounts and the Firm's allocation plan which outlines how the Firm will allocate the order among the selected Client accounts. The objective of the statement is to ensure that based upon the individual needs and financial objectives of its various Clients (taking into consideration any restrictions or limitations), it is distributing investment opportunities among Client accounts in a rational and predictable manner and that the distribution is fair and equitable to all. Deviations from the allocation methodology are stated up front in internal documentations and are permitted only for good cause under the direction of David L. Carter, President and Principal of the Firm. Examples of some circumstances that might warrant such a deviation include account types, tax considerations, particular investment guidelines, Client-imposed restrictions, etc. Clients are encouraged to discuss any questions that may arise regarding investment policies throughout the course of our engagement.

The Client may terminate the **Investment Management Advisory Agreement** without penalty (full refund or no fees due) within 5 business days of signature, if the Client receives the Form ADV Part II no earlier than at the time of engagement. Otherwise, Investment Management services may be immediately terminated upon receipt of written notice by either party.

Carter Asset Management provides **Consultations** pertaining to general or specific investment advisory issues as determined by the Client. Such consultation services can be terminated with no

fees due, if requested within 5 days of signature on the Agreement, if the Form ADV Part II was delivered no earlier than the time of engagement. Otherwise, services can be terminated at any time by either party upon receipt of the written termination request. The Client will be invoiced only for time incurred by the Adviser up until the effective date of termination.

Carter Asset Management also provides **Personal Financial Planning Services** to review and analyze issues pertaining to income, cash management, risk management, education funding, retirement preparation planning, estate planning, and tax planning as requested by the Client. Carter Asset Management's Personal Financial Planning Services can focus on certain components as defined by the Client or can be comprehensive in nature. If desired, the Adviser can develop a written Plan based upon the information provided by the Client and the advice and recommendations developed by Carter Asset Management. If the Client chooses a less comprehensive planning approach, Clients must understand the advice provided does not take the entire scope of Client's overall planning needs into consideration. Carter Asset Management is also available to provide Clients with helpful information regarding the implementation of any recommendations, if desired.

Clients may terminate the Personal Financial Planning Agreement within 5 business days of signature with no fees due, if the Adviser's Form ADV Part II was delivered no earlier than at the time of engagement. Otherwise, Financial Planning Services may be terminated in writing at any time by either party. In this case, the Client will be invoiced for only for the time and effort incurred by the Adviser on the development of the advice or Plan prior to termination at the Firm's hourly rate.

Sales of investments result in taxable gain(s) or loss(es) to the Client. Also, the sale of investments to maintain the Client asset allocation policy may cause taxable gain(s) or loss(es) to the Client. While the Firm makes every effort to take these matters into consideration in the delivery of its services, the Client understands Carter Asset Management does not render tax advice and is not responsible for the tax consequences to the Client as a result of account transactions. However, Carter & Beard, P.C. (a professional Texas corporation), a public accounting firm that is co-located with Carter Asset Management, is available to assist with these issues under separate engagement with that Firm. Other Clients are welcome to consult their own personal tax adviser about tax consequences as a result of transactions or any particular investment held in their account.

## **FEES AND COMPENSATION**

Investment Management fees are payable quarterly and in advance of services at a rate equal to one-fourth of the agreed annual percentage rate multiplied by the billable balance on the last day of the preceding calendar quarter. For this purpose, "billable balance" means the value of the Client's portfolio as of the last market day of the relevant quarter, adjusted daily to prorate additions and withdrawals during the previous quarter. A pro-rata fee is calculated for services initiated at any time other than at the beginning of a calendar quarter.

The fees charged by Carter Asset Management for Investment Management services for all new Clients are 0.95% annually. Investment Management fees may be modified from the foregoing based upon individual circumstances, aggregating of accounts, the complexity of services, the

portfolio allocation, or additional resources required and at the discretion of the Adviser. Additionally, Management fees may be modified for larger or institutional accounts. Investment Management fees are determined at the time of engagement and are outlined and agreed upon in writing by the Adviser and the Client in the Investment Advisory Agreement & Disclosure Statement.

Carter Asset Management, Inc. does not charge industry-standard new client setup fees, nor does the Firm charge an established minimum annual fee. Payment of Investment Management fees is made through a debit directly to the Client's account by the custodian holding the Client's funds and securities.

The aforementioned advisory fees represent fees for investment advisory and investment management services only. Clients pay transaction fees to broker/dealers and custodians and to other third party service providers Clients may engage (such as trust companies, etc.). All fees paid to the Adviser for investment advisory services are separate from the fees and expenses charged to shareholders of mutual funds shares by mutual funds, or by the Investment Adviser managing the portfolios and a complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. Clients are encouraged to read each fund prospectus and contact the investment manager if they have any questions about these fees.

Presently, Carter Asset Management, Inc. has Schwab Institutional, a subsidiary of Charles Schwab & Co., Inc., custody all client accounts due to the efficiencies achieved with the use of this firm which particularly supports the efforts of fee-only investment advisers. From time to time, Carter Asset Management, Inc. may coordinate with other brokerage firms for the purchase of certain securities not available from Schwab Institutional, but all of these transactions will ultimately transact with the Client's account at Schwab.

As Carter Asset Management is a fee-only Investment Adviser, the Firm does not charge any form of wrap fees, which include a management fee and commission expenses wrapped into one charge. Carter Asset Management does not charge performance-based fees as defined by the Securities and Exchange Commission's Investment Adviser's Act of 1940. Advisory fees are not collected for services to be performed more than six months in advance.

If Investment Management Clients require additional services outside the scope of our Investment Management Services, such as consultation or research services, the Firm's hourly rate will apply. The hourly rate will vary between \$150 to \$250, depending upon the particular circumstances, complexity or nature of desired services, and at the discretion of the Adviser. The hourly rate will be agreed upon prior to the initiation of services.

Consultation services are available at the Firm's hourly rate of \$150 to \$250, depending upon the complexity of services and the approximate total fee will be determined at the time of engagement. For more time intensive projects, the Adviser may request a retainer equal to an amount up to 1/2 of the total expected fee, with the balance due upon delivery of services. Otherwise, payments for Consultation Service are due upon the delivery of the agreed upon services.

Personal Financial Planning Services are offered at the Firm's hourly rate of \$150 to \$250, depending upon the complexity of services. The approximate total fees will be determined and

agreed upon at the time of engagement. If Client circumstances or objectives change such that a new investment plan is required, it is understandable that there may be additional fees. The Client would be notified prior to the initiation of any additional efforts. Financial Planning fees are generally due and payable upon delivery of the Plan. However, for more time-intensive projects, the Adviser may request a retainer at the time of engagement and will invoice the Client for the balance upon the delivery of services.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Carter Asset Management, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **TYPES OF CLIENTS**

Carter Asset Management provides Investment Supervisory and Management Services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, foundations, family limited partnerships, corporations, and other business entities.

Unlike many firms, Carter Asset Management does not state the minimum dollar amount of a client investment advisory relationship. The Firm maintains a full awareness of the size of a cost effective client portfolio, but may in its own judgment from time to time determine to accept a smaller portfolio dollar amount upon the commencement of the investment advisory relationship, based upon other factors including, but not limited to, other family relationships, intention of the new client to bring additional assets, or younger clients who demonstrate a particular accumulation mindset as they begin their careers. The Firm may accept aggregated household portfolios not meeting an economic minimum, where special circumstances exist and at the discretion of the Adviser. The Firm's Consultation and Financial Planning Services, which are billed at hourly rates stated herein, do not require a minimum relationship size. The ultimate goal of the Firm is to work with Clients of all ages and sizes with the appropriate attitude that will enable the Firm to assist them with the creation and maintenance of their wealth.

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

Carter Asset Management seeks to match investment management services to personal financial planning objectives, rather than provide an isolated, independent asset management service without adequate input for development. Carter Asset Management considers the success of an investment management program to be dependent upon a clear financial plan. Personal financial planning services are an integral part of services provided by the firm, when accepted by the Client. Once personal financial goals are quantified, the investor's risk tolerance, investment time horizon, net worth, tax situation, and stage in life are defined for preparation of an initial, formal, written **Investment Policy Statement**, which is to provide guidance to the Adviser in the management of funds.



Investment strategies generally include a focus on long-term portfolio construction rather than short-term trading efforts. Investing in securities involves risk of loss that clients should be prepared to bear. Historically and statistically, risks of loss are greatly reduced when investors utilize a five-to-seven year moving window of time as their investment timeline context. Meeting individual risk tolerances and investment time horizons contribute to portfolio allocation between fixed-income and equity securities. Asset allocation, which seeks to achieve the most efficient diversification of assets for the accomplishment of specific goals, is customized for each client. The Investment Policy Statement that provides guidance for the investment effort is reviewed periodically with the client for revision to meet changing needs over time. When revisions are determined appropriate, a written modification to the Investment Policy Statement is made.

Carter Asset Management's premise for Personal Financial Planning is that this effort is a comprehensive, ongoing process that seeks to maximize the utilization of a client's financial assets, while taking into consideration the client's individual uniquenesses and stage in life. Individual uniquenesses include, but are not limited to, tolerance for risk, more commonly expressed as investment volatility and also includes the historical experience of the Client with regard to previous investment efforts. The Personal Financial Planning process is a learned and professional discipline for which the firm has considerable training, credentials, and experience. Personal Financial Planning is comprehensive in that it encompasses cash management, risk management (insurance), investments, taxes, retirement preparation planning, and estate planning.

The Personal Financial Planning process (1) assesses and summarizes the current financial condition of the client, (2) identifies and quantifies the financial goals desired for achievement, (3) identifies what cash margin is available, is needed, and can be made available to accomplish identified goals, and (4) sets in place an approach for monitoring the progress of achievement of the stated financial goals.

Retirement preparation planning is one of the most significant areas of the financial planning effort that requires investment advisory services. Carter Asset Management takes a well-developed and unique approach to this area of financial planning. The approach used includes (1) defining and quantifying how much will need to be accumulated for retirement, (2) identifying how much will need to be placed monthly into a defined accumulation program to meet that goal and where those funds need to be invested, and (3) providing a measurement tool for monitoring the progress of the accumulation effort on an annual basis.

The concept of asset allocation, that is the balance in an investment portfolio between equity investments, fixed income investments, and cash, is generally at the forefront at the Firm's strategies. Upon determining the proper allocation of these broad asset classes, a Client's investment portfolio is allocated further among a number of sub-asset classes (i.e. domestic equities, foreign equities, large, mid, and small cap equities, corporate bonds, and government securities). At its heart, asset allocation seeks to achieve the most efficient diversification of assets, so as to help lessen risk over time while not sacrificing the effectiveness of the portfolio in an effort to yield the Client's objectives. Since Carter Asset Management believes that risk reduction is a key element to long-term investment success, asset allocation principles are a key part of the Firm's overall approach in preparing advice for Clients.

Decisions for the purchase or recommendation of investments for meeting specific client needs will be based upon publicly available reports and analysis, as well as the utilization of third-party professional research services to which Carter Asset Management subscribes, has access, and uses for analysis, selection, and monitoring of investments.

Carter Asset Management utilizes many sources of public information to include financial news and research materials. The Adviser may also utilize fundamental macro-economic analysis and specialized software products supplied public sources in its development of investment strategies and advice. Additionally, the Firm's investment committee maintains direct contact with various Investment Company Portfolio Managers via telephone conferences, public professional forums, such as investment manager conferences, and frequent direct contact, as practicable, including personal consultations and Firm visits.

Some client Investment Policy Statement criteria may require 100% investment in equity securities. These growth portfolios generally include a mixture of stock mutual funds and some individually selected stocks. A few Clients may have established Investment Policy Statement criteria that require 100% investment in fixed-income securities. In this instance, the Adviser most commonly includes individual bonds and preferred stock issues as preferred over fixed-income mutual funds. From time to time, however, fixed-income or bond mutual funds may be used for liquidity and for holding funds until individual positions are found that meet criteria. Most client instructions, however, require a specific percentage range allocation between equity securities and fixed-income securities, based upon individual client objectives, needs, investment time horizon, and risk tolerance.

## **DISCIPLINARY INFORMATION**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Carter Asset Management, Inc. or the integrity of its management. Carter Asset Management, Inc. has no information applicable to this disclosure topic.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

David L. Carter, President of the Firm, is primarily focused on the delivery of investment advisory services and related personal financial planning. He is also President of Carter & Beard, P.C., a Public Accounting Firm that provides professional certified public accounting services to its Clients. This activity varies throughout the year but accounts for less than 10% of his time and efforts. Advisory Clients are advised of this affiliated business and they are not under any obligation to utilize the services of this Firm. However, Clients are welcome to engage services under a separate agreement with the accounting firm. Clients of Carter & Beard, P.C. are not Clients of the Adviser until a separate engagement with Carter Asset Management is executed by the Client and accepted by the Adviser.

David L. Carter occasionally provides continuing professional education to Certified Public Accountants, CERTIFIED FINANCIAL PLANNER™ professionals, and other professional groups. His participation in this activity involves approximately 1% of his time and efforts.

## **CODE OF ETHICS**

Occasionally, investment objectives of Clients are similar to that of the Advisory Representatives of Carter Asset Management, and this may lead to investment managers of the Firm personally investing in the same investments. The Firm reviews and maintains records of the personal securities transactions of its Advisory Representatives and Associated Persons and information pertaining to personal trading activities are required to be available for review by the SEC. Due to the relatively immaterial investments made by the Advisory Representatives relative to total investments managed, these personal transactions would have no noticeable affect on market prices or movement. In any case, the Advisory Representatives will generally be “last in” and “last out” for the trading day. All rules of the Investment Adviser’s Act of 1940 (the “Act”) will be strictly enforced. The Investment Adviser will not permit insider trading and in no case will the Firm or a representative of the Firm buy or sell any general securities ahead of Client transactions. At all times, Carter Asset Management, Inc. places the Client’s interest above its own, such that there is no conflict of interest in these securities transactions, and Carter Asset Management, Inc. strongly recommends that Clients primarily invest in highly liquid securities.

In addition to the ethical standards and requirements set forth by the Certified Financial Planning Board of Standards, the Texas State Board of Public Accountancy, and the Center for Fiduciary Studies, which standards must be maintained and followed by all members, Carter Asset Management has implemented an internal Code of Ethics that must be read, acknowledged, and signed by all owners, executives, and employees. Carter Asset Management’s Code of Ethics is predicated on the principle that the Firm owes a fiduciary duty to all of its clients, to serve its clients’ best interests, and place client interests ahead of the interests of Carter Asset Management, Inc. and its employees. This is further clearly demonstrated by the Firms adoption of practice as a fee-only investment adviser.

The following set of principles frame the professional and ethical conduct that Carter Asset Management expects from its employees and consultants:

- Act with honesty, integrity, competence, diligence, respect, and in an ethical manner with the public, Clients, prospective Clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of Clients, and the interests of the Firm above one’s own personal interests;
- Adhere to the fundamental standard that you should never take inappropriate advantage of your position;
- Avoid any conflict of interest, real or perceived;

- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on you and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Not exploit any relationship or responsibility that has been entrusted to you;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.

A complete copy of the Firm's Code of Ethics will be provided to any client or prospective client upon request.

## **BROKERAGE PRACTICES**

The Advisory Representatives of the Firm are **not** Registered Representatives of any Broker/Dealer firm. Carter Asset Management recommends that Clients open their managed accounts with the Schwab Institutional 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 since the Firm is able to efficiently monitor investments and execute trades using extensive computer technology available through its relationship with Schwab. Carter Asset Management is independently owned and operated and not legally or financially affiliated with Schwab. Carter Asset Management, Inc. routinely provides assistance to the Client in the establishment of their individual brokerage accounts and the attendant administrative coordination with Schwab Institutional for those accounts.

Commission-waived load funds and no-load mutual funds are available in the Schwab Institutional brokerage account in addition to stocks and bonds. Clients enjoy significantly reduced transaction charges in the managed Schwab Institutional accounts. Clients also have access to reduced-fee institutional mutual fund shares, in some instances, where ordinarily they would not be able to buy commission-waived funds or meet minimum holding amounts in their brokerage relationships. The Adviser considers this is an efficient and economical approach for fee-only investment managers and their Clients. It supports the independent nature of the adviser-client relationship and precludes inappropriate conflicts of interest that the Adviser feels exist in other investment arrangements. For Client accounts maintained in its custody, Schwab Institutional generally does not charge separately for custody, but it is compensated by account holders through transaction-related fees for securities trades, which are executed through Schwab Institutional or that settle into the Schwab Institutional accounts.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a

significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Occasionally, Carter Asset Management may place limited trades for managed accounts with third-party brokerage firms for fixed-income securities with the approval of the Client in the Investment Management Advisory Agreement. This allows broader access to new-issue fixed-income securities and secondary market securities through the trade-away process, Prime Broker, or directed-trade processes, which Schwab Institutional accommodates efficiently.

Clients for whom the Adviser will provide only investment Consultation or Financial Planning are able to maintain their accounts with a brokerage firm of their choice. Many mutual fund investors will maintain their accounts with the individual mutual fund families. Clients who request a brokerage firm recommendation will be directed to Charles Schwab & Co., Inc. This recommendation is based upon the Adviser's positive experiences with this firm and its assistance to investors of all experience levels.

Carter Asset Management has no written or verbal arrangements whereby it receives soft dollar compensation. Carter Asset Management is, by legal definition, a fee-only investment advisory firm, which means the only revenues it receives are fees paid directly by its clients for investment management, financial planning, or other consulting services. The Firm does not receive any third-party direct compensation whatsoever, such as commissions or what is known as "trailers."

Carter Asset Management may receive some non-cash benefits from Charles Schwab & Co., Inc., or a similar firm. Some of these other information products or services only assist Carter Asset Management 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, provide related professional development, provide pricing information and other market data, facilitate payment of management fees from its Clients' accounts, and assist with back-office functions, recordkeeping and client reporting. These services generally may be used to benefit all or a substantial number of the Firm's Clients.

Schwab Institutional also makes available to Carter Asset Management other services intended to help the Firm manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession planning, regulatory compliance, and marketing. In addition, Schwab may make available, arrange, and/or pay for these types of services rendered to Carter Asset Management by independent third parties. Schwab Institutional 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 Carter Asset Management.

## **REVIEW OF ACCOUNTS**

Investment Management Services involve frequent monitoring and review of underlying portfolio assets. Internal reviews will occur at least quarterly but may occur more frequently (daily or weekly), depending upon the types of investments, the development cycle of a particular client's portfolio, or

at the specific request of the Client. Reviews will examine investment results, asset allocation, income production (where required), Client objectives, investment time horizons, and risk tolerance to ensure the investment plans continue to conform to the Client's investment needs. Carter Asset Management requires that Clients immediately notify the Firm of any changes in the Client's financial status so the Adviser can determine if there needs to be an update in the investment strategies.

Carter Asset Management also offers Personal Financial Planning, which provides advice on cash management, income, retirement preparation planning, college planning, income tax considerations, estate planning, and risk management issues. Financial Planning Services can focus on specific components as requested by the Client or can be comprehensive in nature. The Financial Planning Services are not ongoing and terminate upon the delivery of services. The advice may include recommendations for reviews and updates. Additional services can be obtained through a new request or an amended engagement agreement with the Firm.

Carter Asset Management also provides investment advisory services on an hourly Consultation basis. Services provided are at the request of the Client. Consultation Services terminate upon delivery of the agreed upon services and do not involve ongoing reviews, although advice given may include the recommendations for reviews or updates. The advice given may include the recommendation of annual reviews/updates and it would be the Client's responsibility to update goals or secure additional services as may be needed.

Administrative personnel may assist with client and administrative services. The review of investment portfolios; primary contacts with Clients; and all investment-related research is conducted by David Carter, MS, CPA/PFS, CFP®, AIF®, the President and Principal of the Firm and Cary D. Beard, CPA/PFS, CFP®, AIF®, a Senior Investment Adviser.

Clients receive standard account statements from the custodial brokerage firms monthly and confirmations as transactions occur. Clients are also able in most cases to access their account information via the custodian's website. Investment Management Clients receive specific quarterly reports on portfolio performance and allocation from the Investment Manager, which are intended to provide an appropriate ongoing reporting on the efforts of the portfolio management efforts.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

An element of the formula used by Carter Asset Management, Inc. to calculate the total compensation it pays to its employees is based upon new clients for whom an employee is directly responsible for bringing to the Firm. This compensation has no impact on the fees charged to the Client and is merely a standard work incentive issue.

## **CUSTODY**

Carter Asset Management does not have actual custody of any clients' assets. Clients will receive monthly account statements from the Charles Schwab Institutional or other qualified custodian that

holds and maintains the client's investment assets. Under government regulations, however, Carter Asset Management is deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you grant us authority to direct Schwab to move your money from your account to another person's account. Schwab maintains actual custody of your assets.

Carter Asset Management urges you to carefully review your monthly statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## INVESTMENT DISCRETION

Carter Asset Management maintains discretionary trading authority over Investment Management accounts, as evidenced by the formal written Client Advisory Agreement executed with each Client. Clients have the ability to leave standing instructions with the Adviser to refrain from investing in particular industries, invest in limited amounts of securities, request third-party checks or transfers, and to re-balance portfolios. Carter Asset Management may be given the authority to request disbursements, which will be made directly to the Client from the custodial brokerage account. Carter Asset Management will not have authority to take custody of Client funds or securities.

Execution and custodial services are provided by a third-party firm as outlined in agreements delivered to Clients and is dependent upon the types of services used. When a client has given the Firm broker discretion, there is no restriction on the brokers we may select to execute client transactions. Carter Asset Management's general guiding principle is to trade through broker/dealers who offer the best overall execution under the particular circumstances. With respect to execution, the Firm considers a number of factors, including if the broker has custody of Client assets, the actual handling of the order, the ability of the broker/dealer to settle the trade promptly and accurately, the financial standing of the broker/dealer, the ability of the broker/dealer to position stock to facilitate execution, past experience with similar trades, costs incurred, and other factors which may be unique to a particular order. Based on these judgmental factors, Carter Asset Management may trade through broker-dealers that charge fees that are higher than the lowest available fees in unusual circumstances.

Carter Asset Management, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Firm as the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, the Adviser's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to Carter Asset Management in writing.



## **VOTING CLIENT SECURITIES**

It is the policy of Carter Asset Management that it will vote proxies on behalf its clients. We believe it is in the Client's best interest for proxies to be voted and that most Clients would not vote their proxies if they were required to do it themselves. Therefore, Carter Asset Management has implemented the policy that generally it will vote proxies on their behalf in accordance with the respective company's Board of Directors' recommendations. Carter Asset Management attempts to invest only in companies and funds in which it is confident in their Management and Board of Directors, and in which it has reasonable confidence that proxies can be voted according to their recommendations. If Carter Asset Management believes the Board of Directors' recommendations are not in the best interest of its Clients, Carter Asset Management will vote in opposition to the recommendations and, in most cases, will not continue to maintain an investment in the particular company or fund.

Clients may obtain a copy of Carter Asset Management's complete proxy voting policies and procedures upon request. Clients may also obtain information from Carter Asset Management about how it voted any proxies on behalf of their account(s).

## **FINANCIAL INFORMATION**

Registered Investment Advisers are required in this disclosure item to provide Clients with certain financial information or disclosures about the Adviser's financial condition. In this regard, Carter Asset Management, Inc. indicates that it has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients. The Firm has been in business in its current corporate form for over 14 years. The Firm has never been the subject of a bankruptcy proceeding. The Firm is sound financially and fully capable of meeting all operational commitments.



## **David L. Carter**

### **CARTER ASSET MANAGEMENT, INC.**

242 Beech Street  
Abilene, Texas 79601  
(325) 673-6171

March 29, 2011

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This Brochure Supplement provides information about David L. Carter that supplements the Brochure of Carter Asset Management, Inc. You should have received a copy of that Brochure. Please contact Carolyn Newton, Sr. Accounts Administrator, if you did not receive a copy of Carter Asset Management's Brochure or if you have any questions about the contents of this supplement.

Additional information about David L. Carter is available on the SEC's website at  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**David L. Carter, President**

Year of Birth: 1950

### **Examinations/Professional Designations:**

#### **Certified Public Accountant (CPA) 1986**

As governed by the Texas State Board of Public Accountancy (“TSBPA”), a CPA must satisfy requirements of higher education to be eligible to take the Uniform CPA Examination, which is a comprehensive examination including subject areas such as auditing, financial accounting, tax law, business law, governmental and non-profit accounting, and managerial accounting. Minimum professional practice experience is also required for at least one year in accounting, attest functions, compilation, management advisory services, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA. As required by the TSBPA, a CPA must obtain 120 hours of continuing professional education in every three-year period, and no less than 20 hours in a single year, including a specified four hour ethics class every two years.

In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (120 hours over a three-year period in the State of Texas). Additionally, all members of the American Institute of Certified Public Accountants (AICPA) are required to follow a rigorous Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy, including Texas, have adopted the AICPA’s Code of Professional Conduct within their state accountancy laws or have created their own. The TSBPA requires CPA licensees to complete a four-hour ethics class at least every two years.

#### **Personal Financial Specialist (PFS) 1997**

The PFS credential demonstrates that an individual has met the minimum education, experience, and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an un-revoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA’s Code of Professional Conduct, and is encouraged to follow AICPA’s Statement on Responsibilities in Financial Planning Practice. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

#### **CERTIFIED FINANCIAL PLANNER™ (CFP®) 1991**

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks

granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold the CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include financial planning process, insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**ACCREDITED INVESTMENT FIDUCIARY® (AIF®) 2006**

The AIF designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, individuals must complete a training program, successfully pass a comprehensive final examination under the supervision of a proctor, and agree to abide by the AIF Code of Ethics. In order to maintain the AIF designation, the individual must annually renew their affirmation of the AIF Code of Ethics and complete six hours of specifically approved continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary360 (fi360) company) in association with the Center for Executive Education, Joseph M. Katz Graduate School of Business, University of Pittsburgh.

**Education:**

Abilene Christian University, Abilene, Texas  
 B.S. Biology/Chemistry, 1972  
 Chapman University, Orange, California  
 B.A. Business & Economics (Finance emphasis), 1977  
 Abilene Christian University, Abilene, Texas  
 Graduate Studies in Accounting, 1978 – 1980  
 College for Financial Planning, University of Phoenix, Denver, CO  
 M.S. Wealth Management, 1995

**Business Experience (most recent):**

Carter Asset Management, Inc., Abilene, TX, Registered Investment Adviser  
 President, Advisory Representative, 02/1997 – Present  
 Carter & Beard, P.C., Abilene, TX, Public Accounting Firm  
 CPA, President, 01/2010 – Present  
 David L. Carter, P.C., Abilene, TX, Public Accounting Firm  
 CPA, President, 05/1992 – 12/2009  
 Birdwell & Carter, P.C., Abilene, TX, Public Accounting Firm  
 Officer and CPA, 09/1987 – 05/1992  
 Carter Heatherly & Associates, Abilene, TX, Ad Valorem Tax Consultant  
 Managing Partner, 01/1990 – 12/1999  
 Joyce, Hail, Butler & Birdwell, Abilene, TX, Public Accounting Firm  
 Principal and Accountant, 01/1984 – 09/1987  
 Abilene Christian University, Abilene, TX, College of Business Administration  
 Adjunct Professor of Finance & Accounting, 01/1982 – 9/2000  
 Davis, Kinard & Co., Abilene, TX, Public Accounting Firm  
 Manager, Management Advisory Services 12/1980 – 12/1983  
 Cullers-Bailey & Co., Abilene, TX, Ad Valorem Tax Consulting Firm  
 Principal and Tax Consultant, 5/1978 – 12/1980  
 U.S. Naval Reserve  
 U.S. Military Logistics Officer, 06/1978 – 08/1995  
 U.S. Navy – Active Duty  
 U.S. Military Logistics Officer & ASW Specialist, 08/1972 – 05/1978

**DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

**OTHER BUSINESS ACTIVITIES**

David L. Carter is primarily focused on the delivery of investment advisory services and related personal financial planning. He is also President of Carter & Beard, P.C., a Public Accounting Firm that provides professional certified public accounting services to its Clients. This activity varies throughout the year but accounts for less than 10% of his time and efforts. Advisory Clients are advised of this affiliated business and they are not under any obligation to utilize the services of Carter & Beard, P.C. However, Clients are welcome to engage the services under a separate agreement with the accounting firm.

David Carter also provides continuing education to Certified Public Accountants, CERTIFIED FINANCIAL PLANNER™ professionals, and other professional groups. His participation in this activity involves approximately 1% of his time and efforts.

**ADDITIONAL COMPENSATION**

David Carter receives no additional compensation or economic benefit from any other person or organization for providing advisory services to clients. This includes, but is not limited to, sales commissions, awards, and prizes.

**SUPERVISION**

As Founder and President of Carter Asset Management, Inc., David Carter is primarily responsible for the supervision of Cary D. Beard, Dillon A. Cobb, and all employees of the Firm, including the advice provided to clients. He is the chairperson of the investment team responsible for managing clients' assets under the discretionary management of Carter Asset Management, Inc.

## **Cary D. Beard**

CARTER ASSET MANAGEMENT, INC.

242 Beech Street  
Abilene, Texas 79601  
(325) 673-6171

March 29, 2011

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This Brochure Supplement provides information about Cary D. Beard that supplements the Brochure of Carter Asset Management, Inc. You should have received a copy of that Brochure. Please contact Carolyn Newton, Sr. Accounts Administrator, if you did not receive a copy of Carter Asset Management's Brochure or if you have any questions about the contents of this supplement.

Additional information about Cary D. Beard is available on the SEC's website at  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Cary D. Beard**

Year of Birth: 1976

### **Examinations/Professional Designations:**

#### **Certified Public Accountant (CPA) 2002**

As governed by the Texas State Board of Public Accountancy (“TSBPA”), a CPA must satisfy requirements of higher education to be eligible to take the Uniform CPA Examination, which is a comprehensive examination including subject areas such as auditing, financial accounting, tax law, business law, governmental and non-profit accounting, and managerial accounting. Minimum professional practice experience is also required for at least one year in accounting, attest functions, compilation, management advisory services, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA. As required by the TSBPA, a CPA must obtain 120 hours of continuing professional education in every three-year period, and no less than 20 hours in a single year, including a specified four hour ethics class every two years.

In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (120 hours over a three-year period in the State of Texas). Additionally, all members of the American Institute of Certified Public Accountants (AICPA) are required to follow a rigorous Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy, including Texas, have adopted the AICPA’s Code of Professional Conduct within their state accountancy laws or have created their own. The TSBPA requires CPA licensees to complete a four-hour ethics class at least every two years.

#### **Personal Financial Specialist (PFS) 2008**

The PFS credential demonstrates that an individual has met the minimum education, experience, and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an un-revoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA’s Code of Professional Conduct, and is encouraged to follow AICPA’s Statement on Responsibilities in Financial Planning Practice. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

#### **CERTIFIED FINANCIAL PLANNER™ (CFP®) 2004**

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks

granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold the CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include financial planning process, insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.



CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**ACCREDITED INVESTMENT FIDUCIARY® (AIF®) 2007**

The AIF designation certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, individuals must complete a training program, successfully pass a comprehensive final examination under the supervision of a proctor, and agree to abide by the AIF Code of Ethics. In order to maintain the AIF designation, the individual must annually renew their affirmation of the AIF Code of Ethics and complete six hours of specifically approved continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary360 (fi360) company) in association with the Center for Executive Education, Joseph M. Katz Graduate School of Business, University of Pittsburgh.

**Education:**

Abilene Christian University, Abilene, Texas  
B.B.A., Accounting, 1998  
Masters of Accountancy, 1999

**Business Experience:**

Carter Asset Management, Inc., Abilene, TX, Registered Investment Adviser  
Advisory Representative, Financial Planner, 01/2006 – Present  
Carter & Beard, P.C., Abilene, TX, Public Accounting Firm  
CPA, Tax & Accounting Partner, 01/2010 – Present  
David L. Carter, P.C., Abilene, TX, Public Accounting Firm  
CPA, Tax & Accounting Manager, 01/2006 – 12/2009  
Capital Advisory Group, Inc., Dallas, TX, Registered Investment Adviser  
Advisory Representative, Financial Planner, 12/2000 – 12/2005  
Hopson & Associates, CPA's, Dallas, TX, Public Accounting Firm  
CPA, Senior Associate, 12/2000 – 12/2005  
PricewaterhouseCoopers, LLP, Dallas, TX, Public Accounting Firm  
Assurance Associate (Auditor), 06/1999 – 12/2000  
Mouser & Young, CPA's, Abilene, TX, Public Accounting Firm  
Staff Accountant, 01/1998 – 06/1999

**DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **OTHER BUSINESS ACTIVITIES**

Cary D. Beard is focused primarily on the delivery of investment advisory services and related personal financial planning. He is also Vice President of Carter & Beard, P.C., a Public Accounting Firm that provides professional certified public accounting services to its Clients. This activity varies throughout the year but accounts for approximately 25% of his time and efforts. Advisory Clients are advised of this affiliated business and they are not under any obligation to utilize the services of Carter & Beard, P.C. However, Clients are welcome to engage the services under a separate agreement with the accounting firm. Cary Beard is the principal responsible for the Firm's Tax Practice Section.

## **ADDITIONAL COMPENSATION**

Cary Beard receives no additional compensation or economic benefit from any other person or organization for providing advisory services to clients. This includes, but is not limited to, sales commissions, awards, and prizes. An element of the formula used by Carter Asset Management to calculate the total compensation it pays to its employees is based upon new clients for whom an employee is responsible for bringing to the Firm. This compensation has no impact on the fees charged to the Client.

## **SUPERVISION**

As Founder and President of Carter Asset Management, Inc., David Carter is primarily responsible for the supervision of all employees of the Firm, including the advice provided to clients. He is the chairperson of the investment team responsible for managing clients' assets under the discretionary management of Carter Asset Management, Inc.

## **Dillon A. Cobb**

CARTER ASSET MANAGEMENT, INC.

242 Beech Street  
Abilene, Texas 79601  
(325) 673-6171

March 29, 2011

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This Brochure Supplement provides information about Dillon A. Cobb that supplements the Brochure of Carter Asset Management, Inc. You should have received a copy of that Brochure. Please contact Carolyn Newton, Sr. Accounts Administrator, if you did not receive a copy of Carter Asset Management's Brochure or if you have any questions about the contents of this supplement.

Additional information about Dillon A. Cobb is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE****Dillon A. Cobb**

Year of Birth: 1981

**Examinations/Professional Designations:****Certified Public Accountant (CPA) 2008**

As governed by the Texas State Board of Public Accountancy ("TSBPA"), a CPA must satisfy requirements of higher education to be eligible to take the Uniform CPA Examination, which is a comprehensive examination including subject areas such as auditing, financial accounting, tax law, business law, governmental and non-profit accounting, and managerial accounting. Minimum professional practice experience is also required for at least one year in accounting, attest functions, compilation, management advisory services, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA. As required by the TSBPA, a CPA must obtain 120 hours of continuing professional education in every three-year period, and no less than 20 hours in a single year, including a specified four hour ethics class every two years.

In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (120 hours over a three-year period in the State of Texas). Additionally, all members of the American Institute of Certified Public Accountants (AICPA) are required to follow a rigorous Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy, including Texas, have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own. The TSBPA requires CPA licensees to complete a four-hour ethics class at least every two years.

**Education:**

Abilene Christian University, Abilene, Texas

B.B.A., Accounting, 2004

Masters of Accountancy, 2005

College for Financial Planning, University of Phoenix, Denver, CO

Personal Financial Planning Program (in progress), 2011

**Business Experience:**

Carter Asset Management, Inc., Abilene, TX, Registered Investment Adviser

Advisory Representative, Financial Planner, 10/2009 – Present

Carter &amp; Beard, P.C., Abilene, TX, Public Accounting Firm

CPA, Tax &amp; Accounting Associate, 01/2010 – Present

David L. Carter, P.C., Abilene, TX, Public Accounting Firm

CPA, Tax &amp; Accounting Associate, 09/2009 – 12/2009

Citibank, N.A., Abilene, TX, National Bank  
Commercial Relationship Manager, 09/2007 – 09/2009  
Condley & Company, LLP, Abilene, TX, Public Accounting Firm  
Staff Auditor, 11/2006 – 09/2007  
Texas Heritage Bank, Boerne, TX, Regional Bank  
Commercial Loan Officer, 05/2005 – 11/2006

### **DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **OTHER BUSINESS ACTIVITIES**

Dillon A. Cobb is focused primarily on the delivery of investment advisory services and related personal financial planning. He is also a Tax and Accounting Associate at Carter & Beard, P.C., a Public Accounting Firm that provides professional certified public accounting services to its Clients. This activity varies throughout the year but accounts for approximately 25% of his time and efforts. Advisory Clients are advised of this affiliated business and they are not under any obligation to utilize the services of Carter & Beard, P.C. However, Clients are welcome to engage the services under a separate agreement with the accounting firm.

### **ADDITIONAL COMPENSATION**

Dillon Cobb receives no additional compensation or economic benefit from any other person or organization for providing advisory services to clients. This includes, but is not limited to, sales commissions, awards, and prizes. An element of the formula used by Carter Asset Management to calculate the total compensation it pays to its employees is based upon new clients for whom an employee is responsible for bringing to the Firm. This compensation has no impact on the fees charged to the Client.

### **SUPERVISION**

As Founder and President of Carter Asset Management, Inc., David L. Carter is primarily responsible for the supervision of Dillon A. Cobb and all employees of the Firm, including the advice provided to clients.