

Item 1. Cover Page

Form ADV, Part 2: Firm Brochure

McCarter Investments, LLC  
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Barry R. McCarter, CFA, President

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This brochure provides information about the qualifications and business practices of McCarter Investments, LLC, an investment advisor. If you have any questions about the contents of this brochure, please contact the firm at (865) 579-5868. 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. The term “investment advisor” does not imply any specific level of skill, training, or professional accreditation.

Throughout this brochure, except where noted otherwise, McCarter Investments, LLC and its 100% owner, Barry R. McCarter are collectively referred to as “McCarter.”

The date of this brochure is March 26, 2012.

## Item 2. Material Changes

There are no material changes in McCarter's business practices since the last update of its brochure, which was July 31, 2006.

However, on October 12, 2010, the Securities and Exchange Commission adopted amendments to Part 2 of Form ADV and related rules under the Investment Advisors Act. The amendments require investment advisors to provide current and prospective clients with a brochure written in plain English. The brochure instructions require clearly written, meaningful, and expanded current disclosure of the business practices, conflicts of interest and background of the investment advisor.

Accordingly, McCarter encourages current and prospective clients to read this brochure carefully, especially Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss," and contact the firm promptly with any questions or requests for additional information.

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#### Item 4. Advisory Business

McCarter Investments, LLC is an investment advisor based in Knoxville, Tennessee. It was established in 2004. Its 100% owner is Barry R. McCarter. He was born in 1955. He received his B.S. degree with honors from the University of Tennessee in 1980. He became a Certified Public Accountant (CPA) in 1983 and a Chartered Financial Analyst (CFA) in 1998. Mr. McCarter was a co-founder and chief investment officer of Meridian Trust & Investment Company, a state-chartered bank specializing in retirement plan administration and related investment management. Mr. McCarter has approximately 30 years experience in the areas of investments, tax and estate planning, and small business management. His employment history has been as follows:

- McCarter Investments, LLC (2004 – present)
- Meridian Trust & Investment Company (1997 – 2003)
- FIS Associates, Inc. (1988 – 1997)
- KPMG Peat Marwick (1981-1988)

McCarter is engaged in the business of providing investment advice to clients on the basis of the individual needs of each client (See Item 8). Such services are provided on both a non-discretionary and discretionary basis.

McCarter provides investment advice with respect to the following securities:

- Equity securities, including mutual funds, exchange-traded funds, and individual company stocks
- Fixed income securities, including bond funds, exchange-traded funds, and individual debt securities issued by corporations and federal, state and municipal governments
- Exchange-traded funds holding commodities such as gold, silver, and other precious metals
- Participations in investment partnerships investing in oil and gas, real estate, and commercial businesses

However, McCarter does not sponsor, offer, sell or solicit investment in these or any other investments. Nor is he affiliated with any individuals or other entities that do (see Item 10).

As of March 26, 2012, McCarter managed client assets totaling \$21,198,343, all with discretion.

#### Item 5. Fees and Compensation

McCarter charges fees based upon assets managed for clients. Annual fees are computed as follows:

- 1% of assets up to \$500,000 (subject to a minimum fee of \$2,500); plus
- .75% of assets in excess of \$500,000

Fees are negotiable based on the size of the account. In addition, McCarter sometimes offers reductions based on account size, the relationship to the client, or fees charged by local competitors.

Although expressed in annual terms, McCarter assesses fees quarterly by deducting the prorated fee for the previous calendar quarter from each client's account, normally the first week of each new calendar quarter. Fees are never charged in advance (see Item 18).

In addition to the advisory fee, client accounts will incur brokerage and transactions costs (see Item 12) and pay the internal expenses charged by any mutual funds and exchange-traded funds held in the account. Because excessive fees adversely affect clients' rates of return, McCarter takes a number of steps to lower the total cost of investment management to its clients.

#### Item 6. Performance-Based Fees and Side-by Side Management

McCarter currently does not charge performance-based fees.

#### Item 7. Types of Clients

McCarter's investment advisory business is limited to individuals (including partnerships, estates, trusts, accounts for minors and individual retirement accounts) and defined contribution pension plans.

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

McCarter develops a diversified buy-and-hold investment strategy with each client individually. This strategy uses client-specific factors such as investment goals, age, time horizon, and risk tolerance to create target allocations to various asset classes containing equities, fixed income, commodities, currencies, etc. McCarter selects specific investments within each asset class and creates the portfolio. He reinvests and rebalances the portfolio as necessary. At regular intervals, ranging from quarterly to annually, McCarter meets with clients to review overall account performance, asset allocation, new or changed goals, estate and/or tax planning, and any other matters important to the client.

For clients who wish to own a portfolio of individual stocks, McCarter uses a value-oriented selection approach that selects company stocks possessing a combination of high returns on equity and low stock price. This method of stock selection has outperformed the overall stock market averages in the past, although there is no assurance it will continue to do so in the future. Typically, the individual stock strategy is used as part of a diversified overall portfolio, not as a stand-alone strategy.

The investment strategies employed by McCarter, like all investment strategies, are subject to a number of risks. The greatest of these is the risk of loss. All asset classes sometimes have negative rates of return. There is no guarantee of a positive rate of return or the achievement of investment goals, even when the economic climate is healthy. Clients should be prepared to endure periods of time, sometimes lasting for months or years, during which their accounts decline in value. Furthermore, financial market movements appear to be highly correlated, especially during times of panic. This means many asset classes may decline in value in unison. Diversification may become a less effective risk-management tool. The individual stock strategy might not continue to cumulatively outperform the broader stock market. Even if it does, there will be individual periods of time when a value-oriented style will lag the performance of other stock management styles. Bonds and other fixed income investments previously considered “riskless” may, in fact, be subject to increasing, though low, risk of default. They may also be subject to the risk that a positive but small rate of return may be insufficient to offset the effects of inflation and income taxes.

The risks described above are pervasive, and apply to most professional investment strategies. There is a significant additional risk that applies to individuals who do not use professional investment approaches. Studies indicate that the rates of return achieved by individual investors are far below those of professional investors. Individuals tend to make common mistakes, including unsuccessful attempts to “time” the market, use of high-cost investment products, inappropriate diversification and hedging techniques, and reluctance to adhere to asset allocation guidelines. McCarter believes his professional investment services help clients avoid such

common mistakes and minimize, though not eliminate, the inherent risks of investment management.

#### Item 9. Disciplinary Information.

McCarter has never been involved in any disciplinary action or legal proceedings.

#### Item 10. Other Financial Industry Activities and Affiliations.

McCarter does not conduct any activity or maintain affiliations with any financial company, bank, legal or accounting firm, or other company, which present conflicts of interest with clients.

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

McCarter upholds high ethical standards in all facets of his investment advisory practice. His code of ethics meets or exceeds the minimum requirements contained in SEC Rule 204A1 and is available to clients upon request.

Occasionally McCarter buys for clients, individual stocks he already owns himself, or buys or sells stocks for clients and himself on the same day. McCarter believes that, given the small size of such transactions, it is extremely unlikely that these have sufficient impact to affect market prices. Nevertheless, McCarter adheres to a rule that for any given day containing client and personal transactions, McCarter's personal transactions are executed last.

#### Item 12. Brokerage Practices

McCarter requires all accounts managed with discretion to be opened and maintained with Fidelity Investments. Fidelity is one of three nationally recognized brokerage firms that market brokerage and custody services to independent investment advisors. McCarter considered all three firms and evaluated them on the basis of the following factors:

- Financial strength and name recognition to clients
- Established investment advisory program with low-cost access to many families of mutual funds and exchange-traded funds
- Capability of providing best execution brokerage at a reasonable price to clients
- Integration with top-tier portfolio management add-on services
- McCarter's previous dealings with the companies

McCarter does not receive any form of remuneration from Fidelity or participate in any type of soft dollar or directed brokerage programs through Fidelity or any other brokerage firm.

#### Item 13. Review of Accounts

McCarter reviews client accounts approximately two to four times per month. Major underlying positions common to many investment accounts are reviewed at least weekly. Account reviews serve multiple purposes, including investing excess cash, providing liquidity for future withdrawals or distributions, maintaining target asset allocation, and computing overall rates of return.

Clients receive monthly statements from the brokerage custodian. McCarter sends a personalized letter containing account performance relative to overall market returns annually (or quarterly if requested by the client.) McCarter meets with each client at least annually to discuss overall account performance, target asset allocation, new or changed goals, estate and/or tax planning, and any other matters important to the client.

#### Item 14. Client Referrals and Other Compensation.

McCarter has no arrangements with third parties whereby McCarter receives an economic benefit from a third party for providing investment advice or services to a client. Also, McCarter does not compensate any person in return for a client referral.

#### Item 15. Custody

McCarter does not have custody of client funds under any circumstances.

#### Item 16. Investment Discretion

McCarter manages client assets with full discretion. He will, however, honor client-placed restrictions in certain situations (e.g., not selling an asset with high untaxed gain, not purchasing individual stocks in certain industries, or not participating in certain asset classes like emerging market stocks.)

Clients grant discretion by signing the brokerage application which appoints McCarter with a limited power of attorney to manage the account with discretion. Clients also sign a separate management agreement granting discretion to McCarter.



#### Item 17. Voting Client Securities

McCarter does not have authority to vote client proxies and other solicitations. Each client receives directly from the custodian or transfer agent any annual reports, notices of meetings, proxies, or other shareholder action requests. McCarter is available anytime a client has a specific question involving voting proxies or any other matter relating to the management of the account.

#### Item 18. Financial Information.

Item 18 (A) requires financial disclosures from advisors requiring prepayment of fees. Because McCarter does not require prepayment of fees, this item is not applicable.

#### Item 19. Requirements for State-Registered Advisors

McCarter Investments, LLC is 100% owned by Barry R. McCarter. Please see Item 4 and the Form ADV Part 2B Supplement following this section for more information regarding McCarter's formal education and business background.

McCarter is engaged solely in the business of providing investment advice to clients and is not engaged in any other business.

McCarter currently does not charge performance-based fees.

McCarter has never been involved in any disciplinary action or legal proceedings, including being found liable in an arbitration claim or a civil, self-regulatory organization or administrative proceeding.

McCarter does not have any relationship or arrangement with any issuers of securities.

## Form ADV, Part 2B: Brochure Supplement

Barry R. McCarter, CFA, President

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This brochure supplement provides information about Barry R. McCarter, President of McCarter Investments, LLC, an investment advisor. If you have any questions about the contents of this supplement, please contact the firm at (865) 579-5868.

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

The date of this brochure is March 31, 2011.

Barry R. McCarter was born in 1955. He received his B.S. degree in accounting with honors from the University of Tennessee in 1980. His employment history has been as follows:

- President, McCarter Investments, LLC (2004 – present)
- Chief Investment Officer, Meridian Trust & Investment Company (1997 – 2003)
- Investment Partner, FIS Associates, Inc. (1988 – 1997)
- Audit Manager, KPMG Peat Marwick (1981-1988)

Mr. McCarter earned the designation “Chartered Financial Analyst” in 1998. The CFA charter is considered to be among the most prestigious designations in the investment industry. Candidates for the charter must have four years of qualified investment experience, become a member of the CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership in a local CFA member society, and complete the CFA Program.

The CFA Program covers an extensive body of knowledge organized into three levels, each culminating in a six-hour exam. Completing the program takes most candidates between two and five years, with many candidates reporting study time of 300 hours or more per year.

Mr. McCarter has never been involved in any disciplinary action or legal proceedings, including those involving criminal or civil charges, administrative proceedings, bankruptcy, arbitration claims, false statements or omissions, unethical dealings, and investment-related or other activities of any kind.

Mr. McCarter is not involved in any investment-related occupation or business other than McCarter Investments, LLC. Nor does he receive any form of compensation, commissions, or other payments from any person or company, except professional fees charged through McCarter Investments, LLC.

As a sole practitioner, Mr. McCarter does not have a supervisor. Any questions, comments or complaints should be addressed directly to him using the address or telephone numbers listed on the preceding page.

