

**Firm Brochure**  
(Part 2A of Form ADV)



**Carolina**  
WEALTH MANAGEMENT

**Disclosure Document**

**2015**

---

**HEADQUARTERS**

1706-A East Arlington Blvd.  
Greenville, NC 27858  
Phone: (252) 439-1344  
Fax: (866) 295-6986

**PINEHURST BRANCH**

295 Olmsted Blvd. Suite 2  
Pinehurst, NC 28374  
Phone: (910) 215-0162  
Fax: (866) 295-6986

**Toll Free: 800 - 372 – 0452**

**<http://www.mycarolinawealth.com>**

This brochure provides information about the qualifications and business practices of CAROLINA WEALTH MANAGEMENT, INC. If you have any questions about the contents of this brochure, please contact us at: 252-439-1344, or by email at: david@mycarolinawealth.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about CAROLINA WEALTH MANAGEMENT, INC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Material Changes**

**Material Changes since the Last Update:** None to report

**Non-Material Change:** None to report

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 252-439-1344 or by email at: DAVID@MYCAROLINAWEALTH.COM.

# Table of Contents

<b>Advisory Business .....</b>	<b>1</b>
Firm Description.....	1
Principal Owners.....	1
Types of Advisory Services.....	2
Tailored Relationships .....	2
Advisory Service Agreement.....	2-3
Termination of Agreement .....	3
<b>Fees and Compensation.....</b>	<b>3</b>
Asset Management .....	3
Hourly Planning Engagements.....	4
Fee Billing .....	4
Other Fees .....	4
Expense Ratios.....	5
<b>Performance-Based Fees .....</b>	<b>5</b>
<b>Types of Clients.....</b>	<b>5</b>
Description .....	5
Account Minimums.....	5
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>6</b>
Methods of Analysis.....	6
Investment Strategies .....	6
Risk of Loss .....	6-7
<b>Disciplinary Information .....</b>	<b>7</b>
Legal and Disciplinary.....	7
<b>Other Financial Industry Activities and Affiliations .....</b>	<b>7</b>
Affiliations .....	7-8
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>8</b>
Code of Ethics.....	8
Participation or Interest in Client Transactions.....	8
Personal Trading.....	8-9

<b>Brokerage Practices.....</b>	<b>9</b>
Selecting Brokerage Firms.....	9-12
Best Execution.....	13
Non Cash Economic Benefits .....	13
<b>Review of Accounts .....</b>	<b>13</b>
Periodic Reviews .....	13
Review Triggers.....	14
Regular Reports.....	14
<b>Client Referrals and Other Compensation .....</b>	<b>14</b>
Incoming Referrals.....	14
Referrals Out.....	14
<b>Custody.....</b>	<b>14</b>
Account Statements.....	14-15
Performance Reports.....	15
<b>Investment Discretion.....</b>	<b>15</b>
Discretionary Authority for Trading.....	15
Limited Power of Attorney .....	15
<b>Voting Client Securities .....</b>	<b>16</b>
Proxy Votes (for individual Clients) .....	16
<b>Financial Information .....</b>	<b>16</b>
Financial Condition .....	16
<b>Business Continuity Plan .....</b>	<b>16</b>
General .....	16
Disasters.....	17
Alternate Offices .....	17
<b>Information Security Program.....</b>	<b>17</b>
Information Security .....	17
Privacy Notice .....	17-18
<b>Brochure Supplement (Part 2B of Form ADV) .....</b>	<b>19</b>
Education and Business Standards .....	19
Education and Business Backgrounds.....	20

# **Advisory Business**

---

## **Firm Description**

CAROLINA WEALTH MANAGEMENT, INC was founded in 2004.

CAROLINA WEALTH MANAGEMENT, INC provides personalized confidential investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the Client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

CAROLINA WEALTH MANAGEMENT, INC is a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is provided, with the Client making the final decision on investment selection. CAROLINA WEALTH MANAGEMENT, INC does not act as a custodian of Client assets. The Client always maintains asset control. CAROLINA WEALTH MANAGEMENT, INC places trades for Clients under a limited power of attorney.

Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the Client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the Client on an as-needed basis. Conflicts of interest will be disclosed to the Client in the unlikely event they should occur.

The initial meeting, which may be by telephone: 252-439-1344, is free of charge and is considered an exploratory interview to determine the extent to which investment management may be beneficial to the Client.

---

## **Principal Owners**

Derek S. Pszeny is a 46.875 % stockholder.

David R. Damm is a 46.875% stockholder.

David W. Silver is a 6.25% stockholder.

---

## Types of Advisory Services

CAROLINA WEALTH MANAGEMENT, INC provides investment supervisory services, also known as asset management services, manages investment advisory accounts not involving investment supervisory services, and furnishes investment advice through consultations and issues periodicals about securities.

On more than an occasional basis, CAROLINA WEALTH MANAGEMENT, INC furnishes advice to Clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of 12/31/2014, CAROLINA WEALTH MANAGEMENT, INC manages approximately \$165,000,000 in assets for approximately 300 Clients.

---

## Tailored Relationships

The goals and objectives for each Client are documented in our Client relationship management system or Client file. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without Client consent.

---

## Advisory Service Agreement

CAROLINA WEALTH MANAGEMENT, INC (“CWM” or “We”) generally provides investment supervisory services to individually managed accounts for individuals and/or institutional Clients (each a “Client” and collectively, the “Clients”). Below are the types of services we provide to our Clients.

- **Education** – We provide investment education through seminars, one-on-one consultations, group presentations, publications and various media communications that are designed to help individuals more successfully manage their investments by learning to avoid the many pitfalls associated with investing.
- **Investment Planning and Asset Management** – In those cases where an individual has sufficient time and/or interest in managing his/her assets, we will plan and execute a personal investment strategy based on his/her current financial situation, risk tolerance, goals, etc.
- **Individual Retirement Planning** – Because employee-sponsored retirement plans play a significant role in comprehensive investment management, we make a special effort to educate both individuals and organizations about effective participation in these plans, how they work, how to make sound choices regarding the options available within the plans, as well as the options that are available when someone leaves a company or retires.
- **Corporate Retirement Planning** – For the trustee(s) of the plan (“you”), we will assist you with the development of the plan’s investment policy and the selection of the investment

options that serve both the objectives of the plan and the investment policy. In addition, we will assist you with the monitoring of the performance of plan's investments. For participant directed employee plans, we will provide employee education and enrollment services to allow participants to make informed investment decisions. We will provide investment advice to the participants as it relates to their retirement plan assets only. We may assist you in interacting with your plan administrator and other service providers to ensure timely and effective execution of services.

- **Other Services** – Frequently, we will encounter individuals with obvious gaps in their plans for a secure financial future. As we see needs that extend beyond the scope of portfolio development, we are prepared to help the individual address those needs by making appropriate referrals to qualified and knowledgeable individuals and organizations that we believe adhere to a philosophy of putting the Client's best interest first. Such referrals include attorneys specializing in estate planning and CPAs providing tax planning and tax preparation. From time to time, at its sole discretion, CAROLINA WEALTH MANAGEMENT, INC may pay all or a portion of the professionals fee on the Client's behalf.

---

## Termination of Agreement

The Client or CAROLINA WEALTH MANAGEMENT, INC may terminate the Advisory Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

## Fees and Compensation

---

### Asset Management

CAROLINA WEALTH MANAGEMENT, INC bases its fees on a percentage of assets under management.

The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

<u>Percentage</u>	<u>Assets</u>
1.00%	on the first \$1,000,000 (\$1 Million)
0.80%	on the next \$1,000,000 (\$1 Million - \$2 Million)
0.70%	on the next \$2 Million - \$5 Million
0.50%	on the next \$5 Million - \$10 Million
Negotiable	Over \$10 Million

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the Client is at the Client's discretion. All fees are negotiable.

---

## **Hourly Planning Engagements**

CAROLINA WEALTH MANAGEMENT, INC provides hourly planning services for Clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$250 (plus expenses). No advance payment will be accepted.

---

## **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated Client account to facilitate billing. The Client must consent in advance to direct debiting of their investment account.

CAROLINA WEALTH MANAGEMENT, INC, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

---

## **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a discount brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. CAROLINA WEALTH MANAGEMENT, INC does not receive any compensation, in any form, from fund companies or discount brokers.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.



---

## Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to CAROLINA WEALTH MANAGEMENT, INC.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

---

## Performance-Based Fees

CAROLINA WEALTH MANAGEMENT, INC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the Client.

---

## Types of Clients

---

### Description

CAROLINA WEALTH MANAGEMENT, INC generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

---

### Account Minimums

CAROLINA WEALTH MANAGEMENT, INC generally requires a “minimum” dollar value of \$500,000 for out of town Clients and \$250,000 for Clients within the headquarters area for full investment supervisory services. The headquarters is defined as Greenville and its surrounding communities. This acts as somewhat of a screen to identify serious long-term investors; however, it is not a hard and fast rule. CAROLINA WEALTH MANAGEMENT, INC manages numerous accounts under this minimum amount for various reasons: a commitment by the Client to regular investments through an electronic money transfer plan; young professionals just getting started; and close friends/relatives. Each potential Client is considered on an individual basis.

# **Methods of Analysis, Investment Strategies and Risk of Loss**

---

## **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that CAROLINA WEALTH MANAGEMENT, INC may use include Morningstar Principia mutual fund information, Morningstar Principia stock information and the World Wide Web.

---

## **Investment Strategies**

The primary investment strategy used on Client accounts is strategic asset allocation utilizing fund managers with proven track records and low fees. This means that we use both passive and active managed no load funds as the core investments to a portfolio. We will add satellite holdings for specific needs or to add more diversification to a portfolio. Portfolios are diversified to control the risk associated with traditional markets.

The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time. Other strategies may include long-term purchases, short-term purchases, trading, and margin transactions. We are not market timers and do not believe this strategy is prudent for our Clients.

---

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

---

### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

## **Other Financial Industry Activities and Affiliations**

---

### **Affiliations**

The primary focus of CAROLINA WEALTH MANAGEMENT, INC is offering investment advisory services to current and prospective Clients. One of CAROLINA WEALTH MANAGEMENT, INC's principals, David Damm, is licensed in North Carolina for life, health and long-term care insurance. From time to time, CAROLINA WEALTH MANAGEMENT, INC offers insurance advice to their advisory Clients and may request Damm's ability to provide insurance quotes. The time invested in the independent insurance business is secondary to the time spent on CAROLINA WEALTH MANAGEMENT, INC investment advisory Clients. The types of insurance products recommended by Damm will primarily be term insurance. Clients are under no obligation to utilize Damm's insurance services.

David Silver, Chief Compliance Officer, owns and operates a law practice which is separate from CAROLINA WEALTH MANAGEMENT, INC. Clients are not solicited for Silver's legal services. However, should a Client be in need of legal advice, a CAROLINA WEALTH MANAGEMENT, INC advisor may recommend consultation with Silver.

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

---

### **Code of Ethics**

The employees of CAROLINA WEALTH MANAGEMENT, INC have committed to a Code of Ethics that is available for review by Clients and prospective Clients upon request. The firm will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

---

### **Participation or Interest in Client Transactions**

We often own some of the same mutual funds that are recommended to Clients who are of a similar personal and financial means. Since these are open-end mutual funds and no fees or commissions are involved, we believe there is no conflict of interest. Records are kept of all transactions. As knowledgeable and aggressive investors, some of the investments we select for ourselves are not suitable for some Clients.

CAROLINA WEALTH MANAGEMENT, INC may buy or sell securities identical to those recommended to Clients for their personal accounts. In addition, any related person(s) may have an interest or position in a security that may also be recommended to a Client.

It is the express policy of CAROLINA WEALTH MANAGEMENT, INC that no employee may purchase or sell any security, with the exception of open-end mutual funds, prior to a transaction being implemented for a Client, thereby preventing such employees from benefiting from transactions placed on behalf of such Client.

As these situations represent a conflict of interest, CAROLINA WEALTH MANAGEMENT, INC has established restrictions in our Code of Ethics Policy in order to ensure its fiduciary responsibilities.

---

### **Personal Trading**

The Chief Compliance Officer of CAROLINA WEALTH MANAGEMENT, INC is David W. Silver. He reviews all employee trades each quarter. His trades are reviewed by David Damm or Derek Pszenny. The personal trading reviews ensure that the personal trading of employees

does not affect the markets, and that Clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades, the trades do not affect the securities markets.

## **Brokerage Practices**

---

### **Selecting Brokerage Firms**

#### **How We Select Brokers/Custodians [to Recommend]**

CAROLINA WEALTH MANAGEMENT, INC recommends Charles Schwab and TD Ameritrade, it is important to note that Clients may use any broker-dealer they so choose to implement our investment advice pursuant to an investment advisory agreement with CAROLINA WEALTH MANAGEMENT, INC.

We seek to [select/recommend/use] a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (*see "Products and Services Available to Us from Schwab"*)

#### **Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab and TDA generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your brokerage account. For some accounts, Schwab or TDA may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates and asset-based fees applicable to our client accounts were negotiated based

on our commitment to maintain \$75 million of our clients' assets statement equity in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based Fees you pay are lower than they would be if we had not made the commitment. In addition to commissions or asset-based fees Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, it may charge us quarterly service fees.

Here is a more detailed description of Schwab's support services:

**Services that Benefit You.** 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.

**Services that May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab.

In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

**Services that Generally Benefit Only Us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to [recommend/request/require] that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see *"How We Select Brokers/Custodians [to Recommend]"*) and not Schwab's services that benefit only us. We have \$165 million in client assets under management, and do not believe that maintaining at least \$10 million of those asset at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

CAROLINA WEALTH MANAGEMENT, INC has entered into a nonbinding agreement, in March of 2014, with Charles Schwab whereby Schwab will pay a direct benefit in the form of technology support. This payment to third part vendors will be paid as follows:

Payment to third party vendors will be disbursed as follows: \$15,000 will be paid after first \$50 million is funded. Remaining \$15,000 will be paid after \$75 million has funded.

Technology software for Schwab Performance Technology (SPT) in the following amount of \$ **30,000** as allocated below:

- Year 1 \$7500 for SPT portfolio management solution.
- Year 2 \$7500 for SPT portfolio management solution.
- Year 3 \$7500 for SPT portfolio management solution.
- Year 4 \$7500 for SPT portfolio Management solution.

### **Benefits to CWM from its relationship with TDA**

While there is no direct linkage between the investment advice given to Clients and CWM's participation in various TDA programs, economic benefits are received by CWM as a result of CWM's relationship with TDA, which benefits would not be available to CWM if CWM's Clients did not use TDA for custody. These benefits do not depend on the amount of transactions directed by CWM to TDA. These benefits may include, but are not limited to:

- (1) A dedicated trading desk that services participants exclusively;
- (2) A dedicated service group and account services managers dedicated to CWM's accounts;
- (3) Access to real-time order matching systems ability to "block" Client trades;
- (4) Electronic download of trades, balances and positions;
- (5) Access to an electronic interface with TDA's software;
- (6) Duplicate and batched Client statements, confirmations and year-end summaries;
- (7) The ability to have advisory fees directly debited from Client accounts (in accordance with federal and state requirements);
- (8) Availability of third-party research and technology; and
- (9) Access to TDA mutual funds;
- (10) Access to thousands of mutual funds (both load and no-load funds) all available at net asset value/load waived.
- (11) Fixed income services with proactive fixed income desk, customized fixed income securities profile, fixed income offerings of the day, fixed income new and secondary offering.
- (12) Free admittance to national and regional conferences and trade shows put on by TDA. Meals and reasonable entertainment may be provided at said conferences.
- (13) Access to discounted products and services, such as Morningstar Workstation.



---

## **Best Execution**

CAROLINA WEALTH MANAGEMENT, INC reviews the execution of trades at each custodian annually. The review is documented in the CAROLINA WEALTH MANAGEMENT, INC *Compliance Manual*. Trading fees charged by the custodians is also reviewed annually. CAROLINA WEALTH MANAGEMENT, INC does not receive any portion of the trading fees.

---

## **Non Cash Economic Benefits**

### **Benefits to CWM from relationship with various mutual funds**

While there is no direct linkage between the investment advice given to Clients and CWM's participation in various mutual fund programs, economic benefits are received by CWM as a result of CWM's relationship with different funds and fund families. These benefits do not depend on the amount of transactions directed by CWM to any fund or fund family. These benefits may include, but are not limited to:

- (1) Free admittance to national and regional conferences and trade shows hosted by various mutual fund families. Travel, lodging, meals and reasonable entertainment may be provided.
- (2) Free use of the Columbia Management Retirement Learning Center. This resource is available to provide retirement plan document reviews, ERISA reviews for clients and prospective clients and may provide speakers to the clients and or prospective clients of CWM.
- (3) From time to time on a solicited and non-solicited basis various mutual funds may provide a speaker for our client and or prospective client events at no cost to CWM.

## **Review of Accounts**

---

### **Periodic Reviews**

Accounts are generally reviewed daily for changes using portfolio management software. Relevant changes are reviewed by the advisors assigned to the accounts. Account reviews focus on each Client's strategy and evaluate all securities using fundamental and technical analysis. Clients are encouraged to sit down with the advisor assigned to his/her accounts on a regular basis (2-4 times per year) to determine if the goals and objectives of the investment strategy are still appropriate for the Clients individual circumstances. Clients can call for a consultation at any time.

---

## **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a Client's own situation.

---

## **Regular Reports**

CAROLINA WEALTH MANAGEMENT, INC sends quarterly reports to Clients that contain account balances and performances. We recommend that Clients compare reports sent by CAROLINA WEALTH MANAGEMENT, INC to their asset custodial accounts to ensure accuracy with respect to account balances.

# **Client Referrals and Other Compensation**

---

## **Incoming Referrals**

CAROLINA WEALTH MANAGEMENT, INC has been fortunate to receive many Client referrals over the years. The referrals came from current Clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

CWM may employ solicitors to whom it will pay cash or a portion of the advisory fees paid by Clients referred to it by those solicitors. In such cases, this practice will be disclosed in writing to the Client and CWM will comply with the other applicable requirements under the Rule 206(4)-3 under the Advisers Act.

---

## **Referrals Out**

CAROLINA WEALTH MANAGEMENT, INC does not accept referral fees or any form of remuneration from other professionals when a prospect or Client is referred to them.

# **Custody**

---

## **Account Statements**

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct Schwab or TDA to deduct our advisory fees directly from your account. Schwab or TDA maintains actual custody of your assets. You will receive account statements directly from Schwab or TDA at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab or TDA. You should carefully review those statements promptly when you

receive them. We also urge you to compare Schwab's or TDA's account statements to the periodic portfolio reports you will receive from us.

---

## **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by CAROLINA WEALTH MANAGEMENT, INC.

## **Investment Discretion**

---

### **Discretionary Authority for Trading**

In accordance with the terms of the investment advisory agreement that CAROLINA WEALTH MANAGEMENT, INC has with certain Clients, CAROLINA WEALTH MANAGEMENT, INC may have discretionary authority to make the following determinations without obtaining the consent of such Clients before the transactions are effected: the total amount of securities to be bought or sold for billing purposes and occasional rebalancing. CAROLINA WEALTH MANAGEMENT, INC's authority may be subject to conditions imposed by a Client, examples of which include:

- (1) The Client restricts or prohibits transactions in securities of a specific industry;
- (2) The Client directs the purchase of a security that would not have been recommended by CAROLINA WEALTH MANAGEMENT, INC; and
- (3) The Client directs that transactions be effected through specific broker-dealers.

When a Client directs the purchase of securities that CAROLINA WEALTH MANAGEMENT, INC would not have otherwise recommended for its Client accounts, the Client accepts full responsibility for the purchase and all related impact that the security has on the Client account.

---

### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. Clients sign the custodial form giving CWM a limited power of attorney authority so that we may execute the trades that you have approved.

## **Voting Client Securities**

---

### **Proxy Votes (for individual Clients)**

CWM will have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in any Client account. Clients expressly retain the authority and responsibility for, and CWM is expressly abstaining from rendering any advice or taking any action with respect to, the voting of any such proxies.

### **Proxy Votes (for corporate retirement plan Clients)**

Unless otherwise noted in the plan document, we will not vote or advise you about how to vote proxies for securities held for your account. The custodian should promptly send you, (as trustee of the plan), all proxies and related shareholder communications for the securities held in your account.

## **Financial Information**

---

### **Financial Condition**

CAROLINA WEALTH MANAGEMENT, INC does not have any financial impairment that will preclude the firm from meeting contractual commitments to Clients.

A balance sheet is not required to be provided because CAROLINA WEALTH MANAGEMENT, INC does not serve as a custodian for Client funds or securities, and does not require prepayment of fees of more than \$1,200 per Client, and six months or more in advance.

## **Business Continuity Plan**

---

### **General**

CAROLINA WEALTH MANAGEMENT, INC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

---

## **Disasters**

The Disaster Recover Policy covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

---

## **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all Clients within five days of a disaster that dictates moving our office to an alternate location.

# **Information Security Program**

---

## **Information Security**

CAROLINA WEALTH MANAGEMENT, INC maintains an information security program to reduce the risk that your personal and confidential information may be breached.

---

## **Privacy Notice**

CAROLINA WEALTH MANAGEMENT, INC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a Client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

## **Brochure Supplement (Part 2B of Form ADV)**

---

This brochure provides information about the qualifications and business practices of CAROLINA WEALTH MANAGEMENT, INC. If you have any questions about the contents of this brochure, please contact us at: 252-439-1344, or by email at: david@mycarolinawealth.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about CAROLINA WEALTH MANAGEMENT, INC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

All firm personnel are monitored and supervised by one or more of the following: the firm's principals, Derek Pszeny and David Damm, and its Chief Compliance Officer, David Silver. Supervision is ongoing and includes trade supervision, email monitoring, monitoring of personal trading, periodic performance evaluations, staff meetings and direct communications. No employee is actively engaged in any other investment business or occupation. The individuals in this report have no reportable disciplinary events to report.

---

### **Education and Business Standards**

Education – All Adviser Representatives have 5 years of industry experience and/or are college graduates, preferably with majors in business, economics and/or finance. Advanced degrees such as an MBA or Law are highly desirable.

Competency – All Adviser Representatives must meet the minimum competency standards by achieving a passing score on required examinations. Additional certifications such as Accredited Investment Fiduciary™ (or AIF®) or a Certified Financial Planner, Chartered Financial Analyst or similar professional designations is helpful. The Center of Fiduciary Studies owns the mark AIF® which it awards to individuals who successfully complete initial and ongoing accreditation requirements.

---

---

## Education and Business Backgrounds

### ***David Ronald Damm, AIF®***

Born 1970

Appalachian State University	BS	Criminal Justice	1992
East Carolina University	MBA	Finance	1998
Carolina Wealth Management, Inc.		Chief Executive Officer	2004-present

### ***David Walter Silver***

Born 1969

Pennsylvania State University	BS	Business Logistics/Intl Bus	1992
University of North Carolina	JD	Law Degree	1997
East Carolina University	MBA	Business	2004
David W. Silver, PA		Law Practice	2005-present
Carolina Wealth Management		Chief Compliance Officer	2005-present
East Carolina University		Teaching Instructor	2007-present
Graham, Nuckolls Conner Law Firm, PLLC		Partner, Law Practice	2011-present

### ***Derek Sanderson Pszenny***

Born 1970

East Carolina University	BS	Economics	1997
Carolina Wealth Management, Inc.		President	2004-present

### ***Thomas Duffy Meyer, AIF®***

Born 1971

Murray State University	BS	Business & Advertising	1995
Carolina Wealth Management, Inc.		Advisor Representative	2008-present

### ***Johnathan Blackwell, CFP®***

Born 1973

North Carolina State University	BA	Economics	1996
Carolina Wealth Management, Inc.		Advisor Representative	2014-present
Steward Wealth Strategies		Registered Representative	2012-2014
First South Bank		Leasing Consultant	2010-2012
Fifth Third Bank		Business Banker	2009-2010