

Item 1: Cover Page

Part 2A of Form ADV Firm Brochure

February 12, 2024

Carter Financial Group, Inc.

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This brochure provides information about the qualifications and business practices of Carter Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at 847-713-2700. 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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Carter Financial Group, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes from the last annual update of this disclosure statement issued on February 12, 2024.

Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	7
Item 6: Performance-Based Fees and Side-by-Side Management.....	10
Item 7: Types of Clients.....	11
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss	12
Item 9: Disciplinary Information.....	25
Item 10: Other Financial Industry Activities and Affiliations.....	26
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	28
Item 12: Brokerage Practices	30
Item 13: Review of Accounts	37
Item 14: Client Referrals and Other Compensation.....	38
Item 15: Custody	39
Item 16: Investment Discretion.....	40
Item 17: Voting Client Securities.....	41
Item 18: Financial Information	42

Item 4: Advisory Business

A. Carter Financial Group, Inc.

Carter Financial Group, Inc. ("Carter Financial" and/or "the firm") is an Illinois corporation primarily owned by Kevin Carter. Carter Financial has been providing investment advisory services since October 2019.

B. Advisory Services Offered

Investment Management Services

We offer Investment Management Services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Investment Management Services may include, but are not limited to, the following:

- Discretionary and non-discretionary investment management
- Asset allocation strategy
- Regular and/or continuous portfolio monitoring
- Portfolio allocation with third-party managers
- Self-directed trading accounts/selection of third-party managers through Eaglebrook platform
- Coordination with other third parties (accountants, attorneys, insurance agents, etc.) on an as-needed basis

For discretionary investment management services, Carter Financial receives a limited power of attorney to effect securities transactions on behalf of clients that include securities and strategies described in Item 8 of this brochure. Discretionary authority allows us to act on behalf of the client in most matters necessary or incidental to the handling of the account, including monitoring certain assets, without the client's prior approval. Risk tolerance levels establishing the client's objectives and suitability will be documented and made available to each client.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Carter Financial will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. Carter Financial will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

Retirement Plan Participant Account Management (Discretionary)

We use a third-party platform (Pontera Order Management System) to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of client funds since we do

not have direct access to client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the client allowing them to connect an account(s) to the platform. Once client account(s) is connected to the platform, we will review the current account allocations. When deemed necessary, we will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

We may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between our firm and the client.

Financial Planning Services

Carter Financial offers financial planning as part of its investment management services or as a standalone service. Several primary areas are evaluated in order to develop a written financial plan, tailored to fit the client's needs. Consultation may involve discussion of the client's assets and liabilities, current income and expenses, goals and objectives, current investments, insurance coverage, retirement planning, estate planning, business holdings, education planning, special needs planning, and the attitudes and investment philosophy of the client. These topics may be discussed, along with other relevant factors to help assess the client's immediate and long-term financial needs.

Financial planning services may include any of the following topics:

- Individual savings goals and asset allocation
- Assistance with major purchase buy/sell decisions
- Retirement accumulation planning
- Retirement income planning
- Education planning and funding choices
- Qualified plan and IRA distribution analysis
- Retirement social security benefit analysis
- Investment planning
- Financial organization through a personal financial website
- Insurance planning
- Estate planning and gifting strategies
- Executive planning with stock options and deferred comp evaluations
- Business planning services
- Divorce planning
- Estate distribution services
- Special needs planning

Carter Financial provides online access to client's financial assessment, and includes recommendations and investment strategies on how to achieve the client's goals and objectives. Written financial reviews are available upon client request. Implementation of the prepared plan or recommendations is mutually developed with the client and is solely at client's discretion. Carter Financial encourages clients to utilize any desired professional or group of professionals to assist in the implementation.

Flourish Cash

Carter Financial provides clients the opportunity to establish checking accounts through Flourish Cash, a cash management platform.

C. Client-Tailored Services and Client-Imposed Restrictions

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be sold in the portfolio.

D. Wrap Fee Programs

Carter Financial does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.) Carter Financial may recommend wrap fee programs offered through third-party managers. Carter Financial's fee is separate and distinct from the fees charged by such third-party managers.

E. Client Assets Under Management

As of December 31, 2023, Carter Financial had \$246,435,548 of discretionary assets under management and \$44,557,374 of non-discretionary assets under management.

Item 5: Fees and Compensation

A. Methods of Compensation and Fee Schedule

Investment Management Fees

Carter Financial charges an asset-based fee for its investment management services. The asset-based fee is calculated as a percentage of the value of the managed assets according to the following fee schedule, which represents Carter Financial's maximum fees for individual services. Fees are negotiable.

<u>Portfolio Value</u>	<u>Annual Fee Rate</u>
First \$ 0 - \$ 250,000	2.50%
Next \$ 250,001 - \$ 500,000	2.30%
Next \$ 500,001 - \$ 1,000,000	1.75%
Next \$ 1,000,001 - \$ 5,000,000	1.50%
Next \$ 5,000,001 - \$ 10,000,000	1.25%
Next \$ 10,000,001 and over	1.00%

Carter Financial does not have a minimum account size requirement.

Asset-based fees are always subject to the investment advisory agreement between the client and Carter Financial. Such fees are payable quarterly in advance, calculated as a percentage of the fair market value of all assets held in the client's managed accounts on or about the last business day of the prior calendar quarter. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Adjustments for significant contributions (20% or more of the value of portfolio) to a client's portfolio may be prorated for the quarter in which the change occurs; no adjustments will be made for withdrawals.

A client investment advisory agreement may be canceled at any time by the client, or by Carter Financial with 30 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be promptly refunded.

Financial Planning Fees

For clients with at least \$500,000 in assets under management with Carter Financial, financial planning is offered at no additional charge. For standalone financial planning or clients with less than \$500,000 in assets under management, Carter Financial will charge a fixed fee of \$500 for the initial plan, and \$250 annually after the first year if the client contracts for continuous financial planning.

Carter Financial requires 25 percent of the fee to be paid in advance prior to the start of the project, with the remainder to be paid upon completion and delivery of the plan. Carter Financial does not require prepayment of fees of \$1,200 or more, six months or more in advance. Clients seeking to terminate this service must do so in writing.

B. Client Payment of Fees

Carter Financial generally requires investment management fees to be prepaid on a quarterly basis. Carter Financial requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Carter Financial will deduct its advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

For financial planning services, Carter Financial requires 25 percent of the fee to be paid in advance prior to the start of the project, with the remainder to be paid upon completion and delivery of the plan, unless otherwise agreed to in writing.

C. Additional Client Fees Charged

In addition to Carter Financial's fee, clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, mutual fund sales loads, 12(b)-1 fees, surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and other fees and taxes. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Advisory fees charged by Carter Financial are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. Carter Financial does not share in or receive any portion of such fees. A description of these fees and expenses are available in each investment company security's prospectus.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

D. External Compensation for the Sale of Securities to Clients

Carter Financial's advisory professionals are compensated primarily through a salary and bonus structure. Kevin Carter may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. In addition, Kevin Carter may receive commission-based compensation for the sale of securities and insurance products. Investment adviser representatives, in their capacity as a Mutual Securities registered representative, are prohibited from earning an advisory fee on the securities value transferred from an advisory client's Mutual Securities brokerage account unless commissions earned on such securities transactions

occurred at least a 12–18 months prior to the transfer. Please see Item 10.C. for detailed information and conflicts of interest.

E. Important Disclosure – Custodian Investment Programs

Please be advised that certain of the firm’s investment adviser representatives are registered with a broker-dealer and/or the firm is a broker-dealer or affiliated with a broker-dealer. Under these arrangements, we can access certain investment programs offered through the broker-dealer that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. As such, the investment adviser representative and/or the firm may have an economic incentive to recommend the purchase of 12b-1 or revenue share class mutual funds offered through the broker-dealer platform rather than from the investment adviser platform. Please note the following:

Limitation on Mutual Fund Universe for Custodian Investment Programs: Please note that as a matter of policy we prohibit the receipt of revenue share fees from any mutual funds utilized for our advisory clients’ portfolios. There are certain programs in which we participate where a client’s investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds: Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client’s individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and (ii) where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm’s clients.

Item 6: Performance-Based Fees and Side-by-Side Management

Carter Financial does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

Item 7: Types of Clients

Carter Financial offers its investment services to various types of clients including individuals, high-net-worth individuals, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities.

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

A. Methods of Analysis and Investment Strategies

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

Model Portfolios

Carter Financial currently has proprietary model portfolios that range from conservative to aggressive. These model portfolios generally utilize equity and fixed income securities, although the percentages of equity and fixed income vary depending on the risk level. For example, conservative portfolios will have a higher allocation to fixed income and a lower allocation to equities. The allocations invert as the portfolio risk becomes more aggressive. In other words, more aggressive portfolios will have higher allocations to equities than fixed income. The firm utilizes ten models so it can accommodate clients with varying tolerances for risk. Carter Financial may utilize third-party money managers for managing its clients' portfolios.

Methods of Analysis

Carter Financial uses a variety of sources of data to conduct its economic, investment and market analysis, which may include financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Carter Financial and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Carter Financial reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Carter Financial may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

Mutual Funds and Exchange-Traded Funds, Individual Securities, and Third-Party Separate Account Managers

Carter Financial may recommend institutional share class mutual funds and individual securities (including fixed income instruments). Carter Financial may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Carter Financial will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

Carter Financial has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Carter Financial may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Material Risks of Investment Instruments

Carter Financial may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, Carter Financial may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Variable annuities
- Real Estate Investment Trusts ("REITs")
- Digital Assets
- Flourish Cash

Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

Exchange-Traded Funds ("ETFs")

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs[®], streetTRACKS[®], DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQsSM") iShares[®] and VIPERs[®]. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

Fixed Income Securities

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or

greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

Variable Annuities

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

Non-Traded Real Estate Investment Trusts ("REITs")

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the

shares can be sold back to the sponsor, however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

Digital Assets

Purchasing and investing in digital, virtual or crypto currencies, coins and tokens, and similar or related investments (collectively, for purposes of these Special Risks, "Digital Asset Investments") is speculative and involves significant risks. Certain of those risks are identified below, however, these risks likely are not exhaustive and are in addition to the general market, economic, industry and financial performance risks that affect valuations of other investment types and classes. Client understands that because Digital Asset Investments' markets are continually evolving at a rapid pace, it is impossible to identify all of their risks or to project which risks may become the most meaningful.

Lack of regulatory guidance; Significant volatility. There is no clear tax or regulatory guidance and oversight on issuers of Digital Asset Investments and the use of Digital Asset Investments as trading and investment vehicles. Further, the issuance of various Digital Asset Investments may not have been effected in accordance with all applicable laws, such as those imposed by the U.S. Securities and Exchange Commission ("SEC") or the Commodities Futures Trading Commission ("CFTC"). This may expose a holder of one or more Digital Asset Investments to significant risks. Further, digital assets, such as bitcoin, have experienced significant fluctuations in market value and trading prices. These fluctuations have been, and are expected to continue to be, very volatile. This volatility may lead to considerable levels of risk, and therefore the Client should carefully consider the level of risk that the Client is comfortable bearing.

Regulatory changes or actions may restrict the issuance, use and transfers of Digital Asset Investments, and platforms that facilitate the issuance and trading of Digital Asset Investments. Until recently, little or no regulatory attention has been directed toward digital assets by U.S. federal and state governments, foreign governments and self-regulatory agencies. As Digital Asset Investments have grown in popularity and in market size, the Federal Reserve Board, U.S. Congress and certain U.S. agencies (e.g., the CFTC, FinCEN and the SEC) are examining the operations and practices of Digital Asset Investments issuers, users, wallet providers and platforms that facilitate the issuance or secondary trading of Digital Asset Investments (such platforms, collectively, "Platforms"). Certain state regulators have also initiated examinations of the issuers of Digital Asset Investments, industry participants and Platforms. Both the SEC and the CFTC have begun to assert regulatory authority over Digital Asset Investments and trading and ownership of such assets, and have brought enforcement actions against certain issuers. To the extent that any Digital Asset Investment is determined to be a security, commodity future or other regulated asset, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts regulatory authority over the digital currency industry in general, the issuance of Digital Asset Investments, trading and ownership, transactions involving the purchase and sale of such assets may be adversely affected, which could adversely affect the

value and liquidity of all or certain types of Digital Asset Investments. The effect of any future regulatory change on Platforms or Digital Investment issuers and industry participants in general is impossible to predict, but such change could be substantial and adverse to the value and liquidity of all or certain types of Digital Asset Investments.

Digital Asset Investments are subject to significant valuation risks. Particularly because Digital Asset Investments are typically not backed by hard assets or any governmental entity, and do not represent an equity or debt instrument, they are subject to significant valuation risk – which is the risk that such assets are priced incorrectly due to factors such as incomplete data, projections that do not prove to be accurate, significant market speculation, market instability or human error. There is no assurance that any Digital Investment owned in the Account could be sold or transferred for the value established or assigned for it at any time, and it is possible that various Digital Asset Investments would incur a loss because they are sold at a discount to its assigned, or believed, value.

The unregulated nature and lack of transparency surrounding the operations of Platforms may cause the marketplace to lose confidence in such exchanges. The Platforms on which bitcoin and other Digital Asset Investments trade are relatively new and, in some cases, unregulated. Furthermore, while many prominent Platforms provide significant information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not provide this information. As a result, the marketplace may lose confidence in digital asset exchanges, including prominent exchanges that handle a significant volume of digital asset trading. In recent years there have been a number of Platforms that have closed due to fraud, business failure or security breaches; additionally, larger Platforms have been targets for hackers and malware and may be more likely to be targets of regulatory enforcement action. A lack of stability in the digital asset exchange markets and the closure or temporary shutdown of such exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the Digital Investment marketplace in general and result in greater volatility in the Digital Investment marketplace. These potential consequences would adversely affect the stability of the value and liquidity of all or certain Digital Asset Investments.

The Platforms may be subject to extensive and complex regulatory regimes. Platforms that facilitate the primary or secondary issuance of Digital Asset Investments may be subject to extensive federal, state and local regulation, non-compliance with which could have a negative impact on the Adviser's ability to acquire Digital Asset Investments through the Platforms or to sell them for the Account. For example, the Platforms may be required to be registered as a broker-dealer, authorized to operate an alternative trading system, be registered as a stock exchange or register with the CFTC. If the Platforms do not comply with applicable laws, they could be subject to sanction and compelled to cease operations, which may have an adverse effect on the Adviser's ability to execute on an investment strategy involving Digital Asset Investments.

The further development and acceptance of digital currencies is subject to a variety of risks. Digital currencies are a new and rapidly evolving asset of which blockchain technology is a prominent, but not unique, part. The growth of the digital currency industry in general, and

distributed ledger technology that supports such digital currencies in particular, is subject to a high degree of uncertainty. The factors affecting the further development of digital currencies, as well as distributed ledger technology, include further growth in the adoption and use of digital currencies; government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of the Platforms that facilitate their issuance and secondary trading; the maintenance and development of the open-source software protocol of certain blockchain networks used to support digital currencies; changes in consumer demographics and public tastes and preferences; the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and general economic conditions and the regulatory environment relating to digital currencies.

Beneficial holders of Digital Asset Investments typically do not have voting or governance rights in the issuer of such assets. Typically, Digital Asset Investments do not afford a holder with any voting rights or other management or control rights in the issuer or the particular protocol or project. Therefore, the beneficial holders of such assets are not able to exercise any control or voting influence over any significant actions of the issuer or the applicable project, such as a sale of its assets or winding up of the project.

Beneficial holders of Digital Asset Investments typically do not have distribution rights. Digital Asset Investments typically do not represent an equity stake in the issuer or a given project, and thus holders of such Digital Asset Investments typically do not have distribution or dividend rights. Therefore, holders do not have liquidation rights otherwise commonly afforded to stockholder holders in a corporation organized under the laws of the states of the United States.

The tax characterization of investing and trading in Digital Asset Investments is uncertain and may result in adverse tax consequences for beneficial holders. The tax characterization of Digital Asset Investments is uncertain. An investment in, or transactions involving, Digital Asset Investments may result in adverse tax consequences to investors, including withholding taxes, income, corporation or profit taxes, value-added taxes or goods and services taxes, stamp duties or other forms of transactional taxes, and tax reporting requirements.

A lack of a central regulatory authority and structure and the global nature of digital assets and blockchain technologies limit legal remedies and recourses. Because there is a lack of a central regulatory authority and structure and due to the global nature of digital assets and blockchain technologies, a holder of Digital Asset Investments may have no legal remedies or recourse against issuers, other users, holders, purchasers or sellers of Digital Asset Investments, and any other person or entity that may interfere with any Digital Asset Investments owned by the holder, or a holder's digital wallet.

There is no existing trading market for certain Digital Asset Investments and an active trading market may not develop. Certain Digital Asset Investments that may be identified by a representative of IHT may be a new issue of digital tokens for which there is no established public market. Although the issuer of such Digital Asset Investments may intend to list those assets on certain Platforms that facilitate secondary trading, there can be no assurance that such exchanges will accept the listing of the applicable Digital Asset Investments or maintain

the listing if accepted. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide the holders of those Digital Asset Investments with liquidity of investment or that it will continue for the life of the particular digital asset. The liquidity of any market for many Digital Asset Investments will depend on a number of factors, including:

- the number of holders;
- the performance and financial condition of the issuer or applicable project;
- the market for similar digital tokens;
- the interest of traders in making a market in the specific Digital Asset Investments; and
- regulatory developments in the digital token or cryptocurrency industries.

The digital token market is a new and rapidly developing market which may be subject to substantial and unpredictable disruptions that cause significant volatility in the prices of digital tokens. There are no assurances that the market, if any, for any or all Digital Asset Investments will be free from such disruptions or that any such disruptions may not adversely affect a holder's ability to sell certain or all Digital Asset Investments.

Risks associated with Digital Asset Investments issued by foreign issuers or projects. The adviser may invest directly or indirectly in the Digital Asset Investments issued by foreign issuers. Such investments may involve risks not ordinarily associated with exposure to instruments or assets of U.S. issuers. Foreign issuers or projects may be subject to less governmental supervision and regulation than exists in the U.S.; conversely, foreign regulatory regimes applicable to the Digital Investment space and industry may be more complex and more restrictive than those in the U.S., resulting in higher costs associated with such investments, and such regulatory regimes may be subject to interpretation or change without prior notice to issuers and operators in the industry. For example, in September 2017 China announced that initial coin offerings are illegal in China and that all fundraising activity involving digital token sales should be halted and the Financial Services Commission in the Republic of Korea also recently prohibited initial coin offerings in the Republic of Korea. In addition, digital token financing and trading platforms are prohibited from undertaking conversions of coins with fiat currencies in China, meaning that digital tokens cannot be used as currency in the market. Further, foreign issuers of Digital Asset Investments and operators of Platforms may not be subject to accounting, auditing and financial reporting standards and practices comparable to those in the U.S. The Account's exposure to Digital Asset Investments issued by foreign issuers may be subject to withholding and other foreign taxes, which may adversely affect the net return on such investments.

Intellectual property rights claims may adversely affect the operation of prominent blockchains and crypto assets in general. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in digital assets or the ability of end-users to hold and transfer various digital assets may adversely affect an investment strategy focused on Digital Asset Investments. Additionally, a meritorious intellectual property claim could prevent the Adviser or other end-users from accessing a specific blockchain network or holding or transferring digital assets that utilize

those blockchains, which could force the liquidation of the certain digital assets held in the Account or that are a part of the Adviser's investment strategy, or cause the value of such digital assets to significantly decline. As a result, an intellectual property claim against large participants on certain blockchain networks could adversely affect the value and liquidity of all of certain Digital Asset Investments.

Many Digital Asset Investments may be subject to malfunction or function in an unexpected or unintended manner. Digital Asset Investments, and any network with which they are interacting, may malfunction or function in an unexpected or unintended manner. This may be caused by the applicable Digital Investment itself, the Ethereum protocol, other networks, or a number of other causes, some of which are unforeseeable. Any malfunction or unintended function could result in the complete loss with respect to the affected Digital Investment.

There is risk of theft and fraud, both at the custodian or any third-party exchanges at which Digital Asset Investments may be custodied. Although the third parties utilized to custody Digital Asset Investments are expected to employ significant security measures and diversify risk on any particular exchange, there is risk of hacking from outside criminals at the exchange level as well as any third-party custodian, which could lead to the loss of some or all client funds.

Flourish Cash

Flourish Cash was designed to provide customers with a competitive interest rate on their cash and significantly more FDIC insurance coverage through our Program Banks than a single bank account can offer. Flourish offers all of that from an account with unlimited transfers, no minimums, and a seamless all-digital account opening process. Flourish is not a bank, but the money customers transfer into their Flourish Cash account is automatically deposited at Flourish's FDIC-member Program Banks, such as PNC Bank & HSBC Bank USA. Customers' cash is not invested in money market funds or other investment products that have a risk of market loss. FDIC regulations specifically state that cash deposited at a bank (like our Program Banks) by an agent (like Flourish Financial LLC, a FINRA and SEC-registered Broker-Dealer) on behalf of its customers will be insured as if the customers deposited the cash directly with the banks themselves. At the Program Banks, customers' cash is deposited in depository accounts that are titled for the exclusive benefit of Flourish customers. And Flourish will show customers exactly which banks are holding their deposits on every monthly statement.

The cash balance in a Flourish Cash account that is swept to one or more Program Banks is eligible for FDIC insurance, subject to FDIC rules, including FDIC aggregate insurance coverage limits. FDIC insurance will not be provided until the funds arrive at the Program Bank. There are currently at least four Program Banks available to accept deposits for institutional Flourish Cash accounts (accounts for corporations, partnerships, and other legal entities) and at least five Program Banks available to accept deposits for personal Flourish Cash accounts (individual, joint, and revocable trust accounts), and we are not obligated to allocate customer funds across more than this number of Program Banks if there is a greater number of banks in the Program. Customers are generally eligible for FDIC insurance coverage of \$250,000 per customer, per Program Bank, for each account ownership category. Thus, institutional

customers are eligible for up to \$1,000,000 of FDIC insurance, and personal customers are eligible for (i) up to \$1,250,000 of FDIC insurance for either (A) an individual account or (B) an account for a revocable living trust in which one person is the only grantor, trustee and beneficiary of the trust ("Individual Revocable Trust Account") and (ii) up to \$2,500,000 of FDIC insurance for either (A) a joint account with two owners or (B) an account for a revocable living trust in which the same two persons are each the only grantors, trustees, and beneficiaries of the trust ("Joint Revocable Trust Account"). The total FDIC coverage for a two-person household is calculated assuming that each household member has an individual account and that both household members share a joint account. If the number of Program Banks decreases for a customer (either because a Program Bank is no longer participating in Flourish Cash, because a customer's cash is not eligible to be swept to a Program Bank based on criteria set by the Program Bank (which will be disclosed at account opening), or because a customer opts out of having their cash swept to a particular Program Bank), the amount of FDIC insurance for which the customer would be eligible through Flourish Cash would be lower. Typically, all of a customer's deposits at a Program Bank in the same ownership category (including deposits held outside Flourish Cash or held through multiple Flourish Cash accounts with the same ownership category) count toward the FDIC insurance limit for deposits at that Program Bank. Customers are responsible for monitoring whether they maintain deposits at a Program Bank outside of Flourish Cash and should consider opting out of having their cash swept to any such Program Bank to avoid exceeding FDIC insurance limits. Although Flourish Cash is offered through a brokerage account and cash held in brokerage accounts often has the benefit of SIPC protection, until such time as we offer securities products, customers likely will not have the benefit of SIPC protection for cash held in their Flourish Cash account. Further, SIPC protection is not available for any cash held at the Program Banks.

B. Investment Strategy and Method of Analysis Material Risks

Our investment strategy is aligned with the client's goals, investment objectives, and risk tolerance.

Margin Leverage

Although Carter Financial, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Carter Financial will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the

value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

Short-Term Trading

Although Carter Financial, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

Short Selling

Carter Financial generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

Technical Trading Models

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

Option Strategies

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Carter Financial as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

Covered Call Writing

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

Long Call Option Purchases

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

Long Put Option Purchases

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

C. Security-Specific Material Risks

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified

portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

There is nothing to report on this item.

B. Administrative Enforcement Proceedings

There is nothing to report on this item.

C. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report on this item.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer or Representative Registration

Kevin Carter is a registered representative of Mutual Securities, a FINRA-registered broker-dealer and member of SIPC. Mutual Securities is a financial services company engaged in the sale of investment products.

As a result of his affiliation with Mutual Securities, Kevin Carter, in his capacity as a registered representative of Mutual Securities, is subject to the general oversight of Mutual Securities and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of Carter Mutual Securities should understand that their personal and account information is available to FINRA and Mutual Securities for the fulfillment of their regulatory oversight obligations and duties.

B. Futures or Commodity Registration

Neither Carter Financial nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Broker-Dealer Registration

Kevin Carter, as a registered representative of Mutual Securities, may receive transaction or commission compensation to effect transactions for advisory clients. The recommendation of securities transactions for commission creates a conflict of interest in that Carter Financial is economically incented to effect securities transactions for clients. Although Carter Financial strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of Carter Financial rather than in the client's best interest. Carter Financial advisory clients are not compelled to effect securities transactions through Mutual Securities.

Insurance Sales

Kevin Carter is a licensed insurance agent and may recommend insurance products offered by such carriers for whom he functions as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that Carter Financial strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with Carter Financial's employing broker-dealer.

D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest

Carter Financial recommends to its clients the services of Vise AI Advisors, LLC ("Vise"). Vise's Platform Agreement with Carter Financial provides for a waiver of a \$1,000 monthly platform fee if a certain asset threshold is met. This waiver, on its face, creates an incentive for Carter Financial to recommend Vise over other similarly situated subadvisors. Vise has waived this Platform Fee from the start of its relationship with Carter Financial. Nonetheless, the expectation of assets remained. Now that Carter Financial has in excess of the required minimum assets to assure continued receipt of a platform fee waiver from Vise, Carter Financial has an economic incentive to maintain those assets at Vise. This creates a disincentive to transition those assets to an alternative manager or investment. Clients are under no obligation to use any third-party provider recommended by Carter Financial and may use the provider of their choice.

With respect to Vise's investment management services, the client engages Vise directly and allows Vise to deduct fees directly from their custodian account, which is in addition to Carter Financial's advisory fees.

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

A. Code of Ethics Description

In accordance with the Advisers Act, Carter Financial has adopted policies and procedures designed to detect and prevent insider trading. In addition, Carter Financial has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Carter Financial's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Carter Financial. Carter Financial will send clients a copy of its Code of Ethics upon written request.

Carter Financial has policies and procedures in place to ensure that the interests of its clients are given preference over those of Carter Financial, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

Carter Financial does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Carter Financial does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest

Carter Financial, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Carter Financial specifically prohibits. Carter Financial has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Carter Financial's procedures when purchasing or selling the same securities purchased or sold for the client.

D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

Carter Financial, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Carter Financial clients. Carter Financial will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of Carter Financial to place the clients' interests above those of Carter Financial and its employees.

Item 12: Brokerage Practices

A. Factors Used to Select Broker-Dealers for Client Transactions

Custodian Recommendations

Carter Financial may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab" or "custodian"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Carter Financial may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Carter Financial is independently owned and operated and not affiliated with custodian. For Carter Financial client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Carter Financial considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Carter Financial, Carter Financial may recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Carter Financial will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

How We Select Brokers/Custodians to Recommend

Carter Financial seeks to recommend a custodian/broker who will hold client 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, the following:

- 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 client accounts)
- 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

Client's Custody and Brokerage Costs

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging either transaction fees or custodian asset-based fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

Soft Dollar Arrangements

Carter Financial does not utilize soft dollar arrangements. Carter Financial does not direct brokerage transactions to executing brokers for research and brokerage services.

Institutional Trading and Custody Services

The custodian provides Carter Financial with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Other Products and Services

Custodian also makes available to Carter Financial other products and services that benefit Carter Financial but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Carter Financial's accounts, including accounts not maintained at custodian. The custodian may also make available to Carter Financial software and other technology that

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

The custodian may also offer other services intended to help Carter Financial manage and further develop its business enterprise. These services may include

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

The custodian may also provide other benefits such as educational events or occasional business entertainment of Carter Financial personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Carter Financial may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

Independent Third Parties

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Carter Financial. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Carter Financial.

Additional Compensation Received from Custodians

Carter Financial may participate in institutional customer programs sponsored by broker-dealers or custodians. Carter Financial may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Carter Financial's participation in such programs and the investment advice it gives to its clients, although Carter Financial receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving Carter Financial participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Carter Financial by third-party vendors

The custodian may also pay for business consulting and professional services received by Carter Financial's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Carter Financial's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Carter Financial but may not benefit its client accounts. These products or services may assist Carter Financial in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Carter Financial manage and further develop its business enterprise. The benefits received by Carter Financial or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Carter Financial also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Carter Financial to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Carter Financial will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Carter Financial's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Carter Financial's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Carter Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Carter Financial or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Carter Financial's recommendation of broker-dealers for custody and brokerage services.

The Firm's Interest in Custodian's Services

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian.

Custodian's services may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

Brokerage for Client Referrals

Carter Financial does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

Directed Brokerage

Carter Financial Recommendations

Carter Financial typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

Client-Directed Brokerage

Occasionally, clients may direct Carter Financial to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Carter Financial derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Carter Financial loses the ability to aggregate trades with other Carter Financial advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

B. Aggregating Securities Transactions for Client Accounts

Best Execution

Carter Financial, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. Carter Financial recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Carter Financial will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Carter Financial seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Carter Financial's knowledge, these custodians provide high-quality execution, and Carter Financial's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Carter Financial believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

Security Allocation

Since Carter Financial may be managing accounts with similar investment objectives, Carter Financial may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Carter Financial in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Carter Financial's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Carter Financial will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Carter Financial's advice to certain clients and entities and the action of Carter Financial for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Carter Financial with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Carter Financial to or on behalf of other clients.

Order Aggregation

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Carter Financial believes that a larger size block trade would lead to best overall price for the security being transacted.

Allocation of Trades

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Carter Financial acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Carter Financial determines that such arrangements are no longer in the best interest of its clients.

Item 13: Review of Accounts

A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Accounts are reviewed by the Carter Financial investment adviser representative servicing the client's account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually, which may be waived at client's request. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

Financial plans are monitored and reviewed on an ongoing basis. Clients have access to their financial plans electronically.

B. Review of Client Accounts on Non-Periodic Basis

Carter Financial may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Carter Financial formulates investment advice.

C. Content of Client-Provided Reports and Frequency

Carter Financial's reports to the client on an annual basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks.

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Carter Financial.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

Schwab

Carter Financial receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12: Brokerage Practices. The availability of Schwab's products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

Expense Reimbursements

The firm may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

B. Advisory Firm Payments for Client Referrals

Carter Financial does not pay for client referrals.

Item 15: Custody

Carter Financial is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
 1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
 2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
 3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
 4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
 5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
 6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
 7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

Item 16: Investment Discretion

Clients may grant a limited power of attorney to Carter Financial with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Carter Financial will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, Carter Financial may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

Item 17: Voting Client Securities

Other than for accounts where the client directs the trading, the firm will vote proxies for clients utilizing the Broadridge proxy voting platform. The firm owes certain fiduciary duties with respect to the voting of proxies. These fiduciary duties include (i) the duty of care which is required to monitor corporate events and to vote the proxies, and (ii) the duty of loyalty which is required to vote proxies in a manner consistent with the best interests of the client and to put the client's interests before its own interests. In keeping with its fiduciary duties, the firm has adopted a Proxy Voting Policy, which sets forth policies and procedures designed to ensure that the firm votes each client's securities in the best interests of the client.

The firm will be authorized to take action and render any advice with respect to the voting of proxies for securities held in the client's account. The firm utilizes a third-party service provider (Broadridge) for recommendations with respect to proxy voting. Clients may contact the firm's Managing Member for information about how the firm voted with respect to any of the securities held in their account.

From time to time, securities held in the accounts of clients will be the subject of class action or consumer antitrust class action litigation. The firm utilizes a third-party service provider (Chicago Clearing) for asset recovery services, which will

- determine if securities held by the client are subject to a pending or resolved class action or consumer antitrust class action lawsuit;
- evaluate a client's eligibility to submit a claim to participate in the proceeds of a securities class action settlement or verdict; and/or
- initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Successful asset recovery by Chicago Clearing for class action litigation results in Chicago Clearing keeping 15% of the assets recovered. For successful asset recovery in consumer antitrust class action litigation, Chicago Clearing keeps 15% of the assets recovered.

Where the firm through Chicago Clearing receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, Chicago Clearing will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

As a general rule, the firm will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with the firm's Proxy Voting Policy, unless a client specifically instructs in writing to vote such client's securities otherwise. When making proxy voting decisions, the firm may seek advice or assistance from third-party consultants, such as proxy voting services or legal counsel. A copy of the firm's Proxy Voting Policy will be provided upon receipt of a written request.

Item 18: Financial Information

A. Balance Sheet

Carter Financial does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

Carter Financial does not have any financial issues that would impair its ability to provide services to clients.

C. Bankruptcy Petitions During the Past Ten Years

There is nothing to report on this item.