



**Carroll Financial Associates, Inc.**

4521 Sharon Road  
Suite 400  
Charlotte, North Carolina 28211

(704) 553-8006

**[www.CarrollFinancial.com](http://www.CarrollFinancial.com)**

**Form ADV Part 2A: Appendix 1  
Wrap Fee Program Brochure**

**April 20, 2020**

This wrap fee program brochure provides information about the qualifications and business practices of Carroll Financial Associates, Inc. ("CFA"). If you have any questions about the contents of this brochure, please contact us at (704) 553-8006 or [cfa@carrollfinancial.com](mailto:cfa@carrollfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about Carroll Financial Associates, Inc. is available on the SEC's website at

**[www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov)**

References herein to Carroll Financial Associates as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## Item 2. Material Changes

This item provides a summary of material changes, if any, that CFA has made to this brochure since the date of the last annual update, which occurred in March 2020:

Date of Change	Description of Item
April 2020	On April 20, 2020, CFA updated its principal office and place of business. CFA's new principal office is located at 4521 Sharon Road, Suite 400, Charlotte, North Carolina, 28211.
March 2020	CFA may recommend that certain clients allocate a portion of investment assets among unaffiliated independent investment managers (see Item 6).
	CFA recognized asset allocation as a type of investment strategy and clarified the risks associated with options and margin trading (see Item 6).

In addition to the **material** changes noted above, this brochure contains other non-material changes since the date of the last brochure which are not displayed within Item 2. Non-material changes within this brochure include, but are not limited to, clarifying language and formatting.

---

<b>Item 3. Table of Contents</b>
----------------------------------

---

Item 1. Cover Page.....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Services, Fees and Compensation.....	4
Item 5. Account Requirements and Types of Clients.....	8
Item 6. Portfolio Manager Selection and Evaluation.....	9
Item 7. Client Information Provided to Portfolio Managers.....	12
Item 8. Client Contact with Portfolio Managers.....	12
Item 9. Additional Information .....	13

## Item 4. Services, Fees and Compensation

### **Preliminary Note**

This Wrap Fee Program Brochure (“Brochure”) should be read in conjunction with the Carroll Financial Associates, Inc. Form ADV Part 2A brochure dated March 20, 2020. It’s recommended that you read the Form ADV Part 2A brochure before you read this Brochure to understand the complete nature of the advisory services and products made available through Carroll Financial Associates, Inc.

Carroll Financial Associates, Inc. (“CFA”) began business in 1980 as a registered investment advisor. CFA offers its clients investment management services, and, to the extent specifically requested by a client, financial planning and general consulting services through its investment advisor representatives (“advisors” or “advisory associates”).

### **General Information**

At the outset of each client relationship, CFA spends time with the client asking questions, discussing the client’s investment experience and financial circumstances, and reviewing options for the client. During this initial discussion, it is very important that clients provide accurate and complete responses to the topics discussed. The investment advisory services provided will depend largely on the personal information the client provides to the advisor. CFA will not be required to verify any information received from the client and is expressly authorized to rely on such information. Moreover, each client is advised that it remains their responsibility to promptly notify CFA if there is ever any change in their financial situation or objectives, which may require the re-evaluation of any previous recommendations.

Based on all the information initially gathered, CFA generally develops with each client:

- A financial outline for the client based on the client’s financial circumstances and goals, and the client’s risk tolerance level (the “Financial Profile”); and
- The client’s investment objectives and guidelines (the “Investment Plan”).

The Financial Profile and the Investment Plan are not necessarily written documents. The Financial Profile is a reflection of the client’s current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments CFA will make on behalf of the client in order to meet those goals. The Financial Profile and Investment Plan are updated from time to time when requested by the client, or when determined to be necessary or advisable by CFA, based on updates to the client’s financial or other circumstances.

Clients may elect to hire CFA to prepare a full financial plan. This written report is prepared and presented to the client for consideration. Clients may subsequently retain CFA to manage their investment portfolios on an ongoing basis.

Where CFA provides general consulting services, it will work with the client to prepare an appropriate summary of the specific project(s), to the extent necessary or advisable under the circumstances.

If a client determines to engage CFA on a wrap fee basis the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services

for a single specified fee. Participation in a wrap program may cost the client more or less than purchasing such services separately. The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage CFA on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for some services separately.

**Please note:** When managing a client's account on a wrap fee basis, CFA shall receive as payment for its investment management services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Because these costs include transaction fees, CFA has an economic incentive to minimize the number of trades in the client's account.

CFA is the sponsor and portfolio manager of three wrap fee programs: the Carroll Financial Advisory Wrap Fee Program, the Automated Investment Program, and the Separately Managed Account Program (collectively "The Programs"). The Programs are described in detail below and in the ADV Part 2A brochure.

### **Additional Information Regarding Wrap Fee Programs**

#### ***Carroll Financial Advisory Wrap Fee Program***

The Carroll Financial Advisory Wrap Fee Program ("Wrap Program") is a wrap fee program sponsored by CFA. In the Wrap Program, CFA serves as the investment advisor for client accounts, providing investment management services on a discretionary and/or non-discretionary basis. The types of securities in which a client's portfolio will typically be invested include individual equities, fixed income, mutual funds, and ETFs.

Wrap Program client accounts are charged a single specified annual fee for bundled services. The service fees bundled together typically consist of trade execution, custody, reporting, and investment management fees. However, the exact services included in a wrap fee arrangement will depend upon each client's investment management need. The fees charged, and method of calculation for those fees, will be specified within each client's agreement. Fees are negotiable and based upon a percentage of the market value of the assets under CFA's management.

When CFA bears the cost of the transactions, this presents a conflict in that CFA has an incentive to effect few account transactions since the advisor pays the transaction costs. The management fee covers most fees typically charged.

CFA generally requires that these accounts be maintained at the Schwab Advisor Services division of Schwab (Schwab) or TD Ameritrade Institutional division of TD Ameritrade Inc. (TD). CFA, Schwab and TD are not affiliated.

As further described below, clients should also be aware that CFA's fee arrangement with Schwab with regard to the Automated Investment Program gives CFA an incentive to recommend or require that client accounts be custodied with Schwab.

#### ***Automated Investment Program***

The Automated Investment Program ("AIP") is an automated investment wrap program sponsored by CFA. In this program, clients invest in a range of investment strategies CFA has constructed and manages. These consist of a portfolio of ETF and a cash allocation. The client is permitted to instruct CFA to exclude up to three Funds from their portfolio.

Under the AIP, CFA clients will be required to establish brokerage accounts with Schwab. CFA uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of Schwab, to operate the AIP. CFA is the client's investment advisor and primary point of contact with respect to the AIP.

CFA does not pay SPT fees for the Platform so long as CFA maintains a certain amount in client assets (as specified by Schwab) in accounts at Schwab that are not enrolled in the AIP. If CFA does not meet the asset amount specified by Schwab, then CFA pays SPT an annual licensing fee based on the value of client assets in the AIP. This fee arrangement gives CFA an incentive to recommend or require that client accounts not enrolled in the AIP be maintained with Schwab.

### ***Separately Managed Account Program***

The Separately Managed Account Program ("CFA-SMA") allows clients to utilize one or more of CFA's proprietary investment strategies or a strategy involving a third party index. The client invests in an account that is managed under the trading discretion of CFA. This means that CFA will handle the investment of assets in the client account and will have full decision-making authority regarding investments and transactions. The CFA-SMA strategies include Exchange Traded Products, American Depositary Receipts and individual securities. Relying on investment suitability acknowledgement disclosures, CFA will manage the strategy that best aligns with the client's investment objectives, risk tolerance, time horizon and anticipated liquidity needs. This program is offered on both a wrap and non-wrap basis. In the CFA-SMA program, accounts pay a management fee which may or may not include certain transaction costs, depending on the client's selection at account opening. Under the CFA-SMA Program, CFA clients will be required to establish brokerage accounts with Schwab. **Please note:** As of the last annual updating amendment to this brochure, there are no assets currently invested in this program.

CFA is independently owned and operated and is not affiliated with Schwab. In each of The Programs, CFA serves as the investment advisor for client accounts and provides Schwab directions, under a discretionary trading authorization signed by the client, for trading client accounts using securities, mutual funds and other appropriate investments offered on Schwab's platform.

### **General Fee Information**

Fees paid by clients to participate in The Programs generally include brokerage expenses (e.g. commissions, ticket charges, etc.), as well as the portfolio management fee paid to CFA. Under this billing, CFA will assess one client fee that captures the management, brokerage and administrative charges collectively. This fee covers most fees normally charged by Schwab or TD as the trade clearing firm and client account custodian, such as annual IRA maintenance fees, as applicable.

Portfolio management fees are payable quarterly, in advance. If portfolio management begins after the start of a quarter, fees are prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made.

When multiple accounts holders reside in the same primary residence, CFA will consolidate or "household" the accounts for fee billing purposes and performance reporting, unless otherwise requested and arranged by the client. This consolidated billing arrangement can potentially allow

clients to receive a reduced management fee based on a tiered fee schedule of total assets under management.

The following fee schedules, expressed as a percentage of assets under management, represent the standard fee schedules for each of The Programs. **Individual fee schedules, however, are separately negotiated with each client.** From time to time, CFA, in its sole discretion, will charge a lesser investment management fee based upon certain criteria (i.e., the advisor assigned to the account, anticipated future additional assets, related accounts, negotiations with the client, etc.). As a result, similarly situated clients could pay different fees.

Minimum account balance standards are listed below; however, account minimums are negotiable, depending on the specific program chosen.

***Carroll Financial Advisory Wrap Fee Program (Wrap Program) Account Fees***

<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
First \$5,000,000	1.50%
Balance over \$5,000,000	1.25%

The above annual investment management fee is negotiable and based upon an annual percentage of the market value of the assets under CFA's management, which fee shall not exceed 1.50%. These fees include standard transaction charge, but may not include mutual fund sales loads or internal fees and expenses charged by mutual funds, ETFs, or other investment pools to their investors. A \$25,000 minimum balance is generally required to establish a Wrap Program account. The Wrap Program fee schedule represents a tiered fee schedules. This means that as the portfolio value reaches each threshold, the assets above that threshold are charged successively lower percentages.

***Automated Investment Program (AIP) Account Fees***

<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
Balance over \$5,000	0.50%

The above annual investment management fee for AIP accounts is the maximum fee charged and is negotiable. This fee includes standard transaction charges. Clients do not pay fees to SPT or brokerage commissions or other fees to Schwab as part of the AIP. These fees may not include mutual fund sales loads or internal fees and expenses charged by mutual funds, ETFs, or other investment pools to their investors. A \$5,000 minimum balance is required to establish an AIP account. If the account balance is less than \$5,000, the account will not be invested. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

***Separately Managed Account Program ("CFA-SMA") Account Fees***

<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
Minimum balance subject to strategy selection	1.50%

The above annual investment management fee for CFA-SMA accounts is the maximum fee charged and is negotiable. This fee may or may not include standard transaction charges, depending on the client's selection at account opening. If the client chooses to participate in this program on a wrap-fee basis, then transaction charges will be included. However, this fee does not include mutual fund sales loads or internal fees and expenses charged by mutual funds, ETFs, or other investment pools to their investors. When a third-party index is used, a portion of the management fee is paid to the index provider. A \$100,000 minimum balance is generally required to establish a CFA-SMA account.

The fees noted above are separate and distinct from the internal fees and expenses charged by mutual funds, ETFs, or other investment pools to their shareholders (generally including management fees and fund expenses, as described in each fund's prospectus or offering materials). Clients may pay certain fees in addition to the fees of the above programs, such as margin interest, check fees, wire transfer fees, trade-away fees, odd lot trading fees and other similar types of fees ("Ancillary Fees"). The Wrap Program fees that CFA does not pay to third parties in connection with transaction and execution expenses are retained by CFA. Because of this, CFA may have a disincentive to trade securities in the accounts of clients in The Programs.

In addition to CFA's fees, clients should review all costs associated with investing in The Programs, e.g. mutual fund and ETF fees and expenses and Ancillary Fees, to fully understand the total amount of fees paid by the client for investment and financial related services. **Clients participating in Wrap Program, AIP, and/or CFA-SMA account(s) may pay higher or lower fees than clients purchasing such services separately** (e.g. depending on the cost of services if provided separately or the level of trading in a particular client's account).

**Please note** the following conflict of interest as it relates to program selection: Clients should be aware that the compensation to CFA may differ according to the specific program chosen. This compensation may be more than the amounts CFA would otherwise receive if the client participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various programs and services offered, CFA and its advisory associates may have a financial incentive to recommend particular programs or services over other programs and services available.

## Item 5. Account Requirements and Types of Clients

Clients eligible to enroll in the Wrap Program and CFA-SMA include individuals, pension and profit-sharing plans, 401(k) plans, corporations, trusts, estates, state or municipal government entities, and charitable and non-profit organizations.

Clients eligible to enroll in the AIP include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), are not eligible for the AIP. A \$5,000 minimum balance is required to establish an AIP account. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.



As noted in the Fee Schedules above, minimum account balance standards vary by program and are negotiable, depending on the program selected. Under certain circumstances and in its sole discretion, CFA may negotiate the minimum value of a client's account(s) participating in The Programs. From time to time, CFA, in its sole discretion, will charge a lesser investment management fee based upon certain criteria, (i.e., the advisor assigned to the account, anticipated future additional assets, related accounts, negotiations with the client, etc.). As a result, similarly situated clients could pay different fees.

## **Item 6. Portfolio Manager Selection and Evaluation**

CFA serves as the sponsor and portfolio manager of The Programs. CFA is the only portfolio manager for The Programs and does not select outside portfolio managers.

### **Advisory Business**

CFA offers its clients discretionary and/or non-discretionary investment management services, and, to the extent specifically requested by a client, financial planning and general consulting services through its investment advisor representatives.

There is no significant difference between how CFA manages wrap fee accounts and non-wrap fee accounts.

When managing a client's account on a wrap fee basis, CFA shall receive as payment for its investment management services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Because these costs include transaction fees, CFA has an economic incentive to minimize the number of trades in the client's account.

Clients may, at any time and in writing, impose certain written restrictions on CFA in the management of accounts in the Wrap Program, such as prohibiting the inclusion of certain types of investments (e.g., "sin stocks"), or prohibiting the sale of certain investments (e.g. legacy investments held prior to becoming a client). Each client should note, however, that restrictions imposed by the client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios with the same investment objectives, goals and/or risk tolerance will differ, and no client should expect that the composition or performance of his/her investment portfolio would necessarily be the same as the portfolios of other CFA clients with the same Investment Plan. Written restrictions cannot be accepted for investments in the Automated Investment Program or Separately Managed Account Program.

In limited circumstances, CFA will recommend that certain clients allocate a portion of their investment assets among unaffiliated independent investment managers. Before recommending independent managers, CFA considers the following factors, at minimum: client's investment objective, the fee structure, past performance, management style and research. In these cases, the independent manager will be responsible for the active discretionary management of the allocated assets. However, CFA will continue to provide advisory services to the client related to

review and monitoring of the client investment objectives, asset allocation and account performance. Please note: The management fee charged by the independent manager is separate from, and in addition to, CFA's management fee.

### **Performance-Based Fees and Side-By-Side Management**

CFA does not have any performance-based fee arrangements. "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because CFA has no performance-based fee accounts, it has no side-by-side management.

### **Methods of Analysis**

CFA has an investment committee that maintains an approved list of individual securities as well as investment allocation models. The Models are: Growth, Total Return, Income & Growth, Income, Risk Controlled, Tactical, and Conservative Income. Models are subject to change.

Advisory associates of CFA are not required to invest in securities from the approved list and/or utilize the investment allocation models when selecting investments for clients, although this practice is encouraged, and in most cases followed.

In accordance with the Investment Plan for each client, CFA will invest client assets among a variety of asset types, including without limitation, mutual funds, ETFs, common and preferred stocks, U. S. government securities, and corporate and municipal bonds. CFA may also utilize alternative investments in certain cases, as appropriate. Specifically, CFA may invest in, or recommend investing in, pass-through entities that provide shelters for otherwise taxable income. In addition to real estate, oil and gas partnerships, CFA may also advise on partnerships concerning commodity options and futures, farming, leasing, and coal.

From time to time, CFA invests in complex ETFs (sometimes leveraged) and other Exchange Traded Products (such as notes) within managed model portfolios. While these investments do carry a higher degree of risk, they are monitored periodically by a member of the Investment Committee.

In making selections of individual stocks for client portfolios and for inclusion in the Models, CFA normally focuses on the following types of analyses:

**Fundamental Analysis** – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product lines, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, without limitation, past performance, fee structure, portfolio managers, fund sponsor, overall independent ratings for safety and returns, and other factors.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. CFA evaluates and selects individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

### **Investment Strategies**

The overall strategic approach of CFA is to invest each portfolio in accordance with the Investment Plan that has been developed specifically for each client. This may include using one Model allocation alone, or in combination, in a client's portfolio. Accordingly, the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances:

**Long Term Purchases** – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, and generally will be held for at least a year. Long-term investment strategies require a longer investment time period to allow for strategy to potentially develop.

**Short Term Purchases** – securities purchased with the expectation that they will be sold within a relatively short period of time, generally within a year. Short-term investment strategies require a shorter investment time period to develop but, as a result of more frequent trading, will incur higher transactional costs when compared to long-term strategies.

**Trading** – securities sold within thirty days of purchase.

**Asset Allocation** – attempts to optimize the risk and reward of the client's portfolio by investing among several asset classes.

**Margin Transactions** – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. Upon request by the client, CFA will consider initiating margin transactions, provided the client's account has been reviewed by CFA, as applicable, to engage in this type of activity. Margin is an investment strategy with a high level of inherent risk. Clients can lose more funds or securities than deposited in a margin account.

**Options Trading/Writing** - a securities transaction that involves buying or selling (writing) an option. If the client writes an option, and the buyer exercises the option, the client is obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option, regardless of the market value of the security at expiration of the option. Buying an option gives the client the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option, regardless of the market value of the security at expiration of the option. The risks of covered call writing include the potential for the market to rise sharply. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold.

### **Risk of Loss**

While CFA seeks to diversify clients' investment portfolios across various asset classes consistent with their respective Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

### **Voting Client Securities**

In limited circumstances, with respect to securities selected on behalf of the client in a managed account, CFA may vote proxies on their behalf. CFA seeks to vote proxies in the best interest of the client(s) holding the applicable securities. In voting proxies, CFA considers factors that it believes relate to the client's investments and factors, if any, that are set forth in written instructions from the client.

CFA generally will vote against proposals that it believes will have a negative impact on shareholder value or rights. If CFA perceives a conflict of interest in a proposal, its policy is to notify affected clients so they may choose the course of action they deem most appropriate in the voting of the proxy.

In accordance with Cetera policy, which does not allow proxy voting, CFA will not vote any proxies for accounts that use Cetera's PAM, Prime, or Premier programs. A copy of CFA's complete proxy voting policy, as well as records of proxies voted, are available to clients, upon request.

---

## **Item 7. Client Information Provided to Portfolio Managers**

CFA is the portfolio manager under The Programs. CFA will allocate each client's investment assets consistent with their investment objective(s). Clients may, at any time and in writing, impose certain restrictions on CFA's services. Each client is advised that it remains his/her responsibility to promptly notify CFA if there is ever any change in his/her financial situation or objectives.

Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios with the same investment objectives, goals and/or risk tolerance may differ, and no client should expect that the composition or performance of his/her investment portfolio would necessarily be the same as the portfolios of other CFA clients with the same Investment Plan.

---

## **Item 8. Client Contact with Portfolio Managers**

No restrictions are placed on the client's ability to contact or consult with CFA or the investment adviser representative designated to the client's account(s).

## **Item 9. Additional Information**

### **Disciplinary Information**

CFA has no disciplinary events to report.

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

The majority of CFA's management persons and advisory associates are registered representatives of Cetera Advisor Networks, an SEC registered and FINRA member broker-dealer. Therefore, clients may choose to engage these advisors, in their individual capacities as registered representatives of Cetera, to implement investment recommendations on a commission basis.

Some advisors operate their own independent companies outside of CFA. These unaffiliated companies include accounting/tax practices, insurance services or real estate services, among others. These outside activities are separate from the advisory services offered by CFA. No client is under any obligation to act on recommendations received by CFA advisory associates.

Some advisors are licensed and appointed with various insurance companies to sell life, health, disability, and long-term care insurance, and annuity products. Accordingly, these advisors will receive usual and customary commissions associated with the sale of insurance products.

As disclosed in Item 5, the receipt of commissions provides an incentive for CFA advisory associates to recommend investment products based on commissions to be received, rather than a client's needs. No client is under any obligation to purchase commission products from CFA advisory associates. Clients may purchase securities or insurance products through other broker-dealers or agents that are not affiliated with CFA.

For more information on the applicable conflicts of interest that pertain to your designated advisory associate, please see your advisor's Form ADV Part 2B Brochure Supplement.

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

CFA has adopted a Code of Ethics ("the Code"), the full text of which is available to clients or prospective clients upon request. CFA's Code has several goals. First, the Code is designed to assist CFA in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, CFA owes a fiduciary duty to its clients. Pursuant to this fiduciary duty, the Code requires CFA associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for CFA's associated persons (managers, officers and employees). Under the Code's Professional Standards, CFA expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, CFA associated persons are not to take inappropriate advantage of their positions in relation to CFA clients' accounts.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, CFA's associated persons invest in the same

securities recommended to clients. Under its Code, CFA has adopted procedures designed to reduce or eliminate conflicts of interest that personal trading activities of associated persons could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients.

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

Because associated persons sometimes invest in the same securities as those purchased in client accounts, CFA has established a policy to monitor the personal securities transactions and holdings of each CFA associated persons. The goal of this policy is to avoid any conflict of interest that may present itself in these situations. Certain securities, such as CD's, treasury obligations and open-end mutual funds, are exempt from this requirement. However, in the event of other identified potential trading conflicts of interest, CFA's goal is to place the interests of its clients first.

Consistent with the foregoing, CFA maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a CFA associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of CFA and the Compliance Department of Cetera.

If associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the shares will be allocated among all accounts participating in the trade, in accordance with CFA's written policy.

### **ETF Index Provider**

CFA serves as an index provider for an ETF. In providing investment advisory services to its clients, CFA often invests certain clients in this ETF. Because CFA is paid a license fee based on assets within the ETF, CFA could have an incentive to invest a client in the ETF. In order to reduce this conflict of interest, CFA advisory client assets within the ETF are excluded from the license fee calculation. Additionally, CFA has a fiduciary duty to its clients and will only recommend investment in the ETF to clients who are deemed suitable.

### **Review of Accounts**

With the exception of CFA-SMA, managed portfolios are reviewed at least annually. Portfolios may be reviewed more often if requested by the client, or upon receipt of information material to the management of the client's portfolio, such as a change in the client's financial situation, or at any time such review is deemed necessary or advisable by CFA. Accounts are reviewed by the advisory associate of record for the client account.

CFA-SMA client accounts in which CFA has investment and trading discretion are reviewed on a bi-monthly basis to ensure that they are in line with the model portfolios. CFA reviews any SMAs that experience client-directed activity (withdrawals, additions, tax-loss selling, etc.) on a periodic basis and rebalances them to the model accordingly.

For those clients to whom CFA provides separate financial planning and/or consulting services, reviews are conducted on an as-needed or agreed upon basis. Such reviews are conducted by one of CFA's investment adviser representatives or principals.

Account custodians are responsible for providing monthly or quarterly account statements that reflect the positions (and current pricing) in each account, as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as IRS 1099 forms. From time to time, CFA and/or its advisory associates will provide certain clients with written periodic reports summarizing account activity and performance.

#### **ETF Index Provider**

CFA does not manage or review the accounts of *non-clients* who are invested in the ETF.

#### **Client Referrals and Other Compensation**

As further described in the Form ADV Part 2A brochure, CFA receives direct and indirect economic benefits from broker-dealers/custodians. From time to time, CFA enters into arrangements with third parties (“solicitors”) to identify and refer potential clients to CFA. CFA compensates solicitors based on a percentage of the portfolio management fee. The portfolio management fee must adhere to the maximum fee schedules described in Item 5, regardless of whether or not CFA pays a solicitor fee. Any such solicitor fee shall be paid solely from CFA’s investment management fee, and shall not result in any additional charge to the client. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, CFA enters into written agreements with solicitors under which, among other things, solicitors are required to disclose their compensation arrangements to prospective clients before they enter into an agreement with CFA.

#### **Financial Information**

CFA does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. CFA is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments as it relates to discretionary authority over client accounts. CFA has not been the subject of a bankruptcy petition.

Clients may contact their advisory associate(s) or CFA with any questions regarding the information contained in this Brochure or with questions regarding the services provided by CFA. If necessary, CFA’s Chief Compliance Officer can be contacted by any means below.

Mail: 4521 Sharon Road, Suite 400, Charlotte, NC, 28211

Email: [cfa@carrollfinancial.com](mailto:cfa@carrollfinancial.com)

Phone: (704) 553-8006