



CARROLL  
FINANCIAL

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**Form ADV Part 2A:  
Disclosure Brochure**

**March 24, 2021**

This 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
March 2021	CFA added language regarding qualified plan/pension consulting services (see Items 4 and 5).
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.

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.

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#### **Item 4. Advisory Business**

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”).

Kristopher W. Carroll is the principal financial owner of CFA. Additional information about Mr. Carroll and information about other individuals who formulate investment advice and have direct contact with CFA clients, or who have discretionary authority over client accounts, is available in each person’s Form ADV Part 2B Brochure Supplement.

#### **Value of Assets Under Management**

As of December 31, 2020, CFA managed \$3,915,569,914 of assets on a discretionary basis, and \$169,793,201 of assets on a non-discretionary basis, for a total of \$4,085,363,115 of advisory assets under management.

#### **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.

### **Portfolio Management**

CFA will manage the client's investment portfolio on a discretionary or non-discretionary basis, depending on the client's preference and program chosen. If the client grants CFA discretionary authority, CFA will have the authority to supervise and direct the portfolio without prior consultation with the client. If the client does not grant CFA discretionary authority, then the account will be managed on a non-discretionary basis, which means clients will be contacted prior to the execution of any trade in the portfolio. In non-discretionary accounts, clients retain the responsibility for the final decision on all actions taken with respect to their portfolio and this could result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also means, in most cases, the affected account(s) will not be able to participate in block or aggregated trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the trading block.

Clients may, at any time and in writing, impose certain written restrictions on CFA in the management of their investment portfolios, 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 often 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.

There is no significant difference between how CFA manages wrap fee accounts and non-wrap fee accounts. However, 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. (See also section below titled Portfolio Management Arrangements) **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.

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.

### **Portfolio Management Arrangements**

Clients generally enter into one the following portfolio management programs, which are further described below. Fees associated with each portfolio management arrangement are further explained in Item 5.

#### ***Cetera Advisor Networks Programs***

CFA offers its clients the option of investing through three advisory programs sponsored by Cetera Advisor Networks (“Cetera”), a registered broker-dealer, member FINRA/SIPC. During the account opening process, the client opens a custodial account with Pershing, a subsidiary of The Bank of New York Mellon Corporation. CFA is not affiliated with Cetera or Pershing. In these programs, CFA is responsible for the investment decisions in the client’s portfolio, including monitoring the returns and investments in the portfolio to ensure they are appropriate for the client’s stated objectives and risk tolerance. The types of securities in which a client’s portfolio will be invested include individual equities, fixed income, mutual funds, and exchange traded funds (“ETFs”). Cetera receives a portion of the investment advisory fee you pay when you participate in one of Cetera’s programs.

**Please note:** Only CFA advisors who are registered representatives of Cetera are permitted to be named as the advisor on accounts within the Cetera Advisor Networks Programs.

With the exception of the Preferred Asset Management (“PAM”) program, the Cetera sponsored advisory programs are considered “wrap fee” programs. PAM accounts are charged a management fee plus transaction costs in the account. Transaction costs are the costs associated with purchasing or selling securities.

In the Prime Portfolio Services (“Prime”) program, the client accounts are charged a management fee and CFA bears the cost of transactions in the account. This presents a conflict in that CFA has an incentive to effect fewer account transactions. For example, if it is anticipated that a client will trade more frequently, the advisory associate would receive less investment advisory compensation if the client were to open a Prime advisory account because, in that program, the advisory associate pays the transaction costs. In certain circumstances, Cetera has agreed to bear the cost of transactions in Prime accounts as opposed to CFA bearing this cost.

In the Premier Portfolio Management (“Premier”) program, the client accounts are charged a management fee that covers both portfolio management and cost of transactions. Additionally, in the Premier account, the one, inclusive fee covers most fees normally charged by Cetera’s clearing firm and client account custodian, Pershing, such as the annual IRA maintenance fee and the paper surcharge fee.

Accordingly, for a particular client, the Prime and Premier fee schedules may be higher than the PAM fee schedule.

#### ***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 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. (See also Form ADV Part 2A – Appendix 1 – Wrap Fee Program Brochure for more information on the Wrap Program.)

### ***Carroll Financial Advisory Non-Wrap Accounts***

If a client elects to bear the cost of transactions in the account, then CFA will provide discretionary and/or non-discretionary investment management services on a non-wrap fee basis. This means that in addition to the management fee, some or all other associated fees may or may not be bundled. There is no significant difference in the investment management of wrap and non-wrap accounts and both arrangements generally provide the same services. However, if a client elects to bear the cost of transactions, the account is not considered to be participating in the Wrap Program. The decision to engage CFA on a wrap or non-wrap basis is selected within the client's agreement with CFA.

**Please note** the following as it relates to both *Carroll Financial Advisory Wrap* and *Non-Wrap Accounts* described above: 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). Therefore, unless otherwise negotiated with CFA, either Schwab or TD must serve as the broker-dealer/custodian for client accounts in the Carroll Financial Advisory Wrap and Non-Wrap arrangements. CFA, Schwab and TD are not affiliated. (See also Item 12: Brokerage Practices)

### ***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 ETFs 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 the advisory associate is the primary point of contact with respect to the AIP.

The Platform enables CFA to make the AIP available to clients online and includes a system that automates certain key parts of the investment process ("System"). The System includes an online questionnaire that helps CFA determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that CFA will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The System also includes an automated investment engine through which CFA manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects to do so).

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.

Clients do not pay fees to SPT or brokerage commissions or other fees to Schwab as part of the AIP. (See Form ADV Part 2A, Appendix 1 – Wrap Fee Program Brochure for more information on the AIP.)

### ***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 Depository 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. **Please note:** As of the last annual updating amendment to this brochure, there are no assets currently invested in this program. (See also Form ADV Part 2A – Appendix 1 – Wrap Fee Program Brochure for more information on the CFA-SMA.)

### **Retirement Plan and Participant Consulting**

In addition to advisory services provided to clients in ongoing account relationships noted in the prior several paragraphs, clients may also contract with CFA to provide strategic asset allocation advice with respect to their self-directed participant accounts in retirement plans subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. Under the agreement governing this arrangement (“ERISA Agreement”), CFA provides non-discretionary advice to the client regarding the allocation of investments among the funds made available (“Available Funds”) under the ERISA plan. The client can choose whether to implement the advice rendered by CFA, and if so, the client is responsible for implementing the allocation among the Available Funds. The term of the ERISA Agreement is for 90 days, unless otherwise stated, and can be renewed by executing a new agreement.

CFA also provides other qualified plan/pension consulting services on a stand-alone, separate fee basis. These services include assisting sponsors of self-directed retirement plans in multiple ways, including but not limited to, the monitoring and/or selection of investment alternatives (typically open-end mutual funds) from which plan participants choose in self-directing the investments for their individual plan retirement accounts. If requested, CFA will also provide educational materials designed to assist participants in identifying the appropriate strategy for their retirement plan accounts. The terms and conditions of these services will be established in an agreement between CFA and the plan sponsor.

### **Financial Planning, Consulting and Professional Services**

To the extent requested by a client, CFA will provide financial planning, consulting and/or professional services on a separate fee basis. These services include both investment and non-investment related matters and are provided on a one-time, as requested, or periodic basis.

Financial planning services are either provided as a standalone service or coupled with ongoing portfolio management. Financial Planning includes advice that addresses one or more areas of a



client's financial situation, such as estate planning, risk management, budgeting and cash flow controls, retirement planning, education funding, and investment portfolio design and ongoing management. Once Financial Planning advice is given, the client may choose to have CFA implement the client's financial plan and manage the investment portfolio on an ongoing basis. However, the client is under no obligation to act upon any of the recommendations made by CFA under a Financial Planning engagement, or to engage the services of any recommended professional.

Consulting services are generally provided on a project-by-project basis and may include minimal cash flow planning for certain events such as education expenses or retirement, estate planning analysis, income tax planning analysis and review of a client's insurance portfolio, as well as other matters specifically requested by the client and agreed to by CFA. The scope and fees for consulting services are negotiated with each client at the time of engagement for the applicable project.

In addition, to the extent requested by the client, certain CFA representatives provide professional services regarding non-investment related matters, such as insurance, tax-preparation and planning. These services are separate and distinct from investment advisory services. If you choose to engage CFA for investment advisory services, you are under no obligation to engage a CFA representative as your insurance agent, tax preparer or consultant on tax matters. Furthermore, you are free to accept or reject any recommendation from CFA and/or CFA investment advisor representatives.

Lastly, CFA regularly offers complimentary workshops, seminars and newsletters related to investments and financial planning.

#### **ETF Index Provider**

CFA is the index provider for two ETFs and receives a license fee for providing these indexes. These ETFs are available to all investors, including CFA clients. CFA will only invest clients in the ETFs who are suitable based on risk tolerance and objective, among other factors.

CFA receives a license fee based on the total assets in the ETFs; however, the license fee amount excludes CFA advisory client assets within the ETFs. Though the actual client assets invested in the ETFs are included in CFA's assets under management, other assets in the ETFs are not counted as assets under management by CFA.

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### **Item 5. Fees and Compensation**

#### **Portfolio Management Fees**

The fee schedules below, expressed as a percentage of assets under management, represent the standard fee schedules for advisory accounts. 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.

Portfolio management fees are referred to as "asset-based" fees because they are based on the client's amount of assets under management. Portfolio management fees are payable quarterly, in advance. If portfolio management begins after the start of a quarter, fees are prorated accordingly. Under no circumstance are fees calculated based on a percentage of capital gains in a client's portfolio. Fees are normally debited directly from client account(s), unless other arrangements are made.

Either CFA or the client may terminate the agreement at any time, subject to any written notice requirements in the agreement. If the advisory contract is terminated before the end of the billing period, pre-paid fees are prorated and refunded based on the number days remaining in the quarter. Any fees due to CFA from the client will be invoiced or deducted from the client's account prior to termination.

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

**Fee Calculations:** Except for the AIP and CFA-SMA fees, the fee tables below represent tiered fee schedules. This means that as the portfolio value reaches each threshold, the assets above that threshold are charged successively lower percentages. 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. Individual fee schedules are separately negotiated between each client and advisor. Therefore, not all management fees are based on a tiered fee schedule. Some clients are billed based on a flat fee rate, which is based on a fixed percentage of all assets under management.

#### ***Preferred Asset Management (PAM) Account Fees***

<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
First \$2,500,000	1.50%
Next \$2,500,000	1.25%
Balance over \$5,000,000	1.00%

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 do not include standard transaction charges. Additionally, the fees do 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 PAM account.

#### ***Prime Portfolio Services (Prime) 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 charges, but accounts will pay certain charges such as termination fees and IRA maintenance fees. These fees do 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 Prime account.

### ***Premier Portfolio Management (Premier) 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 charges. These fees do 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 Premier account.

### ***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 charges, 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.

### ***Carroll Financial Advisory Non-Wrap (Non-Wrap) Accounts***

<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 do not include standard transaction charges, 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 Non-Wrap account.

### ***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.

### ***Separately Managed Account Program (CFA-SMA) 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. 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.

**Please note** the following conflict of interest as it relates to Portfolio Management selection: Clients should be aware that the compensation to CFA differs according to the specific advisory 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 have a financial incentive to recommend particular programs or services over other programs and services available.

### **ERISA Plan Participant-Directed Account Fees**

<u>Portfolio Value of Plan Account</u>	<u>Maximum Annual Fee</u>
First \$250,000	2.25%
Next \$250,000	2.00%
Balance over \$500,000	1.50%

The above annual investment management fees for ERISA plan participant-directed accounts are the maximum fees charged and are negotiable. Fees are paid as a flat fee, hourly fee, or asset-based fee and payable as invoiced. The fee charged is strictly for investment allocation advice and does not include any fees, charges, or other expenses of the Available Funds held in the client's ERISA account, nor does it include separate investment advisory, administration, transfer agency, distribution, shareholder services and other expenses that are paid by the client, indirectly, as a shareholder/unit holder.

Either the client, without financial penalty, or CFA may terminate the ERISA Agreement at any time prior to the expiration, subject to the written notice requirements outlined in the agreement. In the event of termination, the fees will be prorated based on the advisory services provided by CFA through the date of termination.

### **Financial Planning, Consulting and Professional Fees**

Financial planning fees will vary depending upon the complexity of the client's situation and will typically be structured as a fixed or hourly fee. Fees are negotiable and are agreed upon with the client in advance. Generally, the fee is due upon completion of the financial plan and receipt of an invoice. The client may cancel the financial planning agreement within five (5) days of initial execution. For those clients who elect to engage CFA to review and/or update their Financial Plan on

a regular basis (e.g. annually), fees are typically billed at the completion of the review and are payable upon receipt of an invoice.

When CFA provides consulting and/or professional services to clients, these services are separate from CFA's financial planning and portfolio management services. These fees are typically negotiated at the time of the engagement for such services, and are normally calculated on an hourly basis or as a flat fee. The amount due is billed and payable after the work is completed, unless otherwise specifically requested and arranged by the client.

With respect to advisory services provided to qualified plan trustees and participants, fees are either charged on a fixed fee basis, or are based upon a percentage (%) of the market value of assets in the applicable accounts. In other cases, fees are charged on either a fixed fee per participant basis or as a fixed amount based on the amount of plan participants, payable on a monthly or quarterly basis.

### **Other Compensation**

Almost all CFA executive officers and CFA advisory associates are registered representatives and/or principals of Cetera and receive usual and customary commissions associated with securities brokerage transactions. Some advisory associates are also licensed and appointed with various insurance companies to sell life, health, disability, and long-term care insurance, and annuity products. Accordingly, these advisory associates receive usual and customary commissions associated with insurance products sales to the extent they sell insurance products to clients. These commissions are in addition to the portfolio management fees, financial planning fees, and/or general consulting fees.

Some advisory associates receive forgivable loans from Cetera that are conditioned on the advisory associate retaining clients with Cetera as broker-dealer and/or in Cetera-sponsored advisory platforms. This creates a conflict of interest for the advisory associate to retain clients in advisory programs sponsored by Cetera in order to avoid re-payment on such loans. CFA and Cetera maintain a Code of Ethics requiring advisory associates to always act in the client's best interest and maintain a supervisory structure to monitor the advisory activities of advisory associates in order to reduce potential conflicts of interest.

Clients are under no obligation to purchase securities through Cetera, Schwab or TD. However, if the client does not wish to place assets with Cetera/Pershing, Schwab or TD, then CFA cannot manage the account, except in very limited circumstances.

### **ETF Index Provider**

CFA is the index provider for two ETFs and receives a license fee for providing these indexes. These ETFs are available to all investors, including CFA clients. CFA will only invest clients in the ETFs who are suitable based on risk tolerance and objective, among other factors.

CFA receives a license fee based on the total assets in the ETFs; however, the license fee amount excludes CFA advisory client assets within the ETFs. Investors will still pay the ETF expense ratio, but CFA will not receive license fee compensation for CFA advisory client assets invested in the ETFs.

### **Commission Transactions**

If a client wishes to receive investment recommendations on a commission basis, certain CFA advisory associates may act in their individual capacities as registered representatives of Cetera to accommodate that. In this case, Cetera will charge brokerage commissions to effect securities transactions and a portion of which will be paid to the CFA advisor. The brokerage commissions

charged by Cetera may be higher or lower than those charged by other broker-dealers. Please note that a conflict of interest exists, as the receipt of commissions provides an incentive 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 Cetera. Clients may purchase investment products CFA recommends through other brokers or agents that are not affiliated with CFA.

### **Fees and Compensation Additional Disclosures**

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). The client should review all fees charged by funds, brokers, CFA and others, to fully understand the total amount of fees paid by the client for investment and financial related services. Lower fees for comparable investment management and financial planning/consulting services may be available from other sources.

A conflict of interest exists related to the asset-based fees described above. Asset-based fees are structured so that the more assets that are in a client's advisory account(s), the more the client will pay in fees. Therefore, CFA has an incentive to encourage clients to increase the assets in his or her account.

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### **Item 6. 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.

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### **Item 7. Types of Clients**

CFA provides investment advisory services to individuals, pension and profit-sharing plans, 401(k) plans, self-directed participant accounts in ERISA plans, corporations, trusts, estates, 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 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.

Minimum account balance standards are available above in Item 5 and are negotiable, depending on the portfolio management arrangement selected. 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 8. Methods of Analysis, Investment Strategies and Risk of Loss

### **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.

Below is a description of several of the principal risks that client investment portfolios face:

*Management Risks.* While CFA manages client investment portfolios based on CFA's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying mutual funds and other securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that CFA allocates assets to asset classes that are adversely affected by unanticipated market



movements, and the risk that CFA's specific investment choices could underperform their relevant benchmarks.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, CFA invests client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular fund managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940. Furthermore, ETFs may be required to sell assets into markets facing significant declines as a result of their constitutional documents.

*Equity Market Risks.* CFA may invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Risks Related to Alternative Investment Vehicles.* The value of client portfolios will be based in part on the value of alternative investment vehicles in which they are invested, the success of each of which will depend heavily upon the efforts of their respective Managers. When the investment objectives and strategies of a Manager are out of favor in the market, or a Manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the Manager may lose money.

*Fixed Income Risks.* CFA often invests portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by issuing entities), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* CFA may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U. S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U. S. dollar versus the security's underlying foreign currency.

## **Item 9. Disciplinary Information**

CFA has no disciplinary events to report.

## **Item 10. 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.

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

### **Code of Ethics 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.

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

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### **Item 12. Brokerage Practices**

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As described in Item 4, CFA typically utilizes the following broker-dealers/custodians for execution and/or custodial services (except for in rare cases, as directed and agreed upon with the client): **Cetera, Schwab and TD**. At times, an advisory associate will require that a client use a particular broker-dealer/custodian, should the client want that particular advisor to manage their investments. Clients are under no obligation to have CFA or any of its advisory associates manage their investments. However, in some cases, if the client wants a particular advisor to manage their investments, it will be necessary for the client to use the broker-dealer/custodian required by such advisor.

CFA is independently owned and operated and is not affiliated with Cetera, Schwab, or TD. Cetera and CFA are not affiliates, but they do have a close business relationship because the majority of CFA

advisory associates are registered representatives of Cetera. Thus, most CFA advisors receive securities transaction compensation from Cetera.

CFA seeks “best execution” for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, CFA may use or recommend the use of broker-dealers who do not charge the lowest available commission, in recognition of that broker-dealer’s research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination), and may be used in servicing any or all CFA client accounts. Therefore, research services received may not be used for the account(s) for which the particular transaction was effected.

Generally, all client account securities transactions will be effected through Cetera, Schwab or TD. Accordingly, investment products, though broadly available, are limited to securities that are offered through Cetera, Schwab or TD. Under applicable FINRA and SEC rules, broker-dealers are required to operate with high standards of commercial honor, and that just and equitable principles of trade are observed in the conduct of their businesses. For clients who select a Cetera program, client assets will be custodied at and cleared through Pershing. For clients who select Schwab, client assets will be custodied at and cleared through Schwab. For clients who select TD, client assets will be custodied at and cleared through TD.

Other suitable investment products, lower commission rates, and more favorable execution may be available through other broker-dealers, clearing firms or investment advisors. However, CFA has determined that Cetera, Schwab and TD provide a high degree of qualitative execution. CFA reviews Cetera’s and Schwab’s best execution regularly to verify acceptable execution performance by each of them.

CFA and its advisory associates generally receive compensation on the sale of securities and insurance products. In connection with the placement of client funds into investment companies (mutual funds), compensation may take the form of front-end sales charges, redemption fees, and 12(b)-1 fees, or a combination thereof. The prospectus for the investment company provides explicit detail about the method and form of compensation.

Certain Mutual Fund Sponsors underwrite or reimburse the expenses of various specific marketing, educational, and professional development activities in which CFA advisors participate. These reimbursements are not made directly to CFA, but are either paid to Cetera, which reimburses CFA, or paid to third parties to cover specific expenses.

Schwab provides CFA with access to its institutional trading and custody services, which are typically not available to retail investors. In addition to providing custody services and executing trades, other services may include research, including in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors, or to client accounts with a high minimum initial investment.

CFA has entered into an agreement with Schwab in which Schwab agrees to reimburse Transfer of Account Exit Fees, up to a specified dollar amount, when client assets are transferred to Schwab during the term of the agreement. This presents a conflict in that CFA has an incentive to establish client accounts at Schwab as opposed to other custodians. As further described in Item 4, clients should also be aware that CFA’s fee arrangement with Schwab with regard to the Automated

Investment Program gives CFA incentive to recommend or require that client accounts be custodied at Schwab.

Cetera, Schwab and TD make available to CFA products and services that benefit CFA, but do not directly benefit CFA clients. These products and services assist CFA in managing and administering clients' accounts and operating the firm. In addition to investment research, these benefits also include software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide research, pricing information and other market data
- Facilitate payment of CFA's fees from its clients' accounts
- Assist with back-office training and support functions, recordkeeping and client reporting.

Cetera, Schwab and TD also offer services intended to help CFA manage and further develop its business enterprise. These services generally only benefit CFA and include:

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession
- Marketing and consulting support

Some of the services listed above are provided directly by the broker-dealer/custodian. In other cases, it will arrange for third-party vendors to provide the services to CFA. Cetera, Schwab and/or TD may also discount or waive fees it would otherwise charge for some of these services, or pay all or a part of the fees of a third-party providing these services to CFA. Cetera, Schwab and TD also provide CFA with other benefits such as occasional business entertainment of CFA personnel.

The availability of these products and services benefits CFA because CFA does not have to produce or purchase them. The fact that CFA receive these benefits is an incentive for CFA to recommend the use of Cetera, Schwab or TD rather than making such a decision based exclusively on the client's interest in receiving the best value in custody services and the most favorable execution of your transactions. This creates a conflict of interest. CFA strives to meet its duty to act in the best interests of its clients even with receipt of these benefits. Specifically, CFA has developed policies and procedures to monitor the best execution of transactions effected through these broker-dealers.

#### **Directed Brokerage**

CFA does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will arrange the terms for their account with that broker-dealer and CFA will not seek better execution services or prices from other broker-dealers or be able to aggregate orders to reduce transaction costs. As a result, the client may pay higher commissions or other transaction costs, or receive less favorable prices.

#### **Aggregated Trade Policy**

CFA typically directs trading in individual client accounts as and when trades are appropriate, based on the client's Investment Plan, without regard to activity in other client accounts. However, from time to time, CFA may (but is not obligated to) aggregate trades for multiple client accounts, when

these accounts are trading the same securities at the same time. Using this process, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If such an aggregated trade is not completely filled, CFA will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across participating accounts on a pro rata or other fair basis, in accordance with its written policy.

### **Item 13. 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 ETFs.

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

CFA receives direct and indirect economic benefits from broker-dealers/custodians, as outlined in Item 12: Brokerage Practices.

As referenced in Item 5, certain advisors may receive forgivable loans from Cetera that are conditioned on the advisor retaining clients with Cetera as the broker-dealer and/or in Cetera-sponsored advisory programs. Please refer to Item 5 for details related to the conflicts of interest presented by such arrangements.

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.

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### Item 15. Custody

It is not CFA's policy to accept physical custody of clients' securities, funds or assets. However, CFA acknowledges that it is deemed to have custody under applicable law insofar as it deducts advisory fees from accounts held with a qualified custodian. CFA will obtain written authorization from the client to deduct fees from the client's account. The account custodian does not verify the accuracy of CFA's management fee calculation.

In addition, if a client grants CFA the ability to move funds on the client's behalf to third-party accounts via a Standing Letter of Authorization, CFA is deemed to have custody under government regulations. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, CFA is not subject to a surprise examination by an independent public accountant because: client provides signed instruction to custodian with third-party disbursement information; client authorizes CFA in writing to direct transfers to third parties; custodian verifies client instructions; client may terminate or change instructions with custodian; CFA cannot change instructions with custodian; custodian sends initial and annual notice and reminder to client related to custody.

As noted in Item 12, Pershing, Schwab and TD are normally the custodians of all advisory client accounts at CFA. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms, and (at least) quarterly account statements. Clients are advised to review this information carefully, and to notify CFA of any questions or concerns. Clients are also asked to promptly notify CFA if the custodian fails to provide statements on each account held.

From time to time, and in accordance with CFA's agreement with certain clients, CFA provides clients with additional reports summarizing account activity and performance. Clients are encouraged to compare any reports provided by CFA to the account statements received from the account custodian.

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### Item 16. Investment Discretion

As described in Item 4, CFA will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney is executed by the client, either as part of their advisory agreement with CFA, or as a separately executed document, giving CFA the authority to carry out various activities in the account, generally including, for example, trade execution and deduction of management fees. CFA directs investment of the client's portfolio using its discretionary authority. The client may limit the terms and scope of the discretionary authorization to the extent consistent with the client's investment advisory agreement with CFA and the requirements of the client account's custodian.

Clients may, at any time and in writing, impose certain written restrictions on CFA in the management of their investment portfolios, 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. **Written restrictions cannot be accepted for investments in the Automated Investment Program or Separately Managed Account Program.**

For *non-discretionary* accounts, in accordance with the investment advisory agreement between CFA and the client, CFA does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action.

In both discretionary and non-discretionary accounts, if the client’s account does not have sufficient cash or money market funds to cover the management fee, the client grants CFA limited trading discretion to liquidate securities in the amount sufficient to cover the management fee.

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### Item 17. 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.

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### Item 18. 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, Kristopher W. Carroll, 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



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<b>Brochure Supplements</b>
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Brochure Supplements are available from advisory associate(s) at CFA at no charge and provide important information about advisory associate's investment experience, qualifications and background.