Regulation Best Interest Disclosures

Following, you will find important information concerning the scope and terms of the services Carty & Company, Inc. offers. Carty & Company, Inc. (Carty) is providing this information to disclose material conflicts of interest connected with recommendations and services we provide as a General Securities Broker Dealer. We are providing some of the information contained in this document in connection with the Securities and Exchange Commission (SEC) Regulation Best Interest, a rule that sets forth disclosure and other requirements, including a standard of care for broker-dealers when making recommendations to certain "retail" clients as defined by the rule. These conflicts result from the practices of the financial services industry, Carty's business model and our compensation structure, including conflicts arising from the transaction-based commissions we pay our financial professionals. Additional disclosures may be provided to you in the future in connection with Regulation Best Interest.

This document alone is not a comprehensive description of all conflicts of interest Carty has in its brokerage services or of the risks involved with any product. Rather, it describes the material and common conflicts in our brokerage relationship with you. Similarly, not all the conflicts we describe here will apply each time a recommendation is made, or a service is provided.

You can find further information on our services, product descriptions, and other costs on our website at https://cartyco.com/resource-category/document-library/. Please consider this document along with the Customer Relationship Summary (form CRS) you received separately, verbal disclosures made by your financial representative, prospectuses, Official Statements, and additional written account and product specific disclosures when evaluating recommendations your financial representative makes to you. You can access free and simple tools to research firms, financial representatives, and educational materials about broker-dealers, investment advisors and investing at Investor.gov/CRS.

Carty & Company, Inc. is registered with the Securities & Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

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I. Introduction

Carty & Company, Inc. (Carty) is a securities broker/dealer, registered with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Carty offers brokerage services to retail investors under a fully disclosed clearing arrangement with Pershing, LLC (Pershing). Carty uses Pershing to clear and settle transactions and to custody assets for and on behalf of Carty and its customers.

Clients who want to control their financial destination and decisions but want an experienced and knowledgeable licensed person's guidance, could benefit from a traditional broker/dealer account. We charge a one-time fee or commission with each transaction, included in the price and yield you receive. Putting our client's best interest in front of our own, investment recommendations are based on each client's risk tolerance and investment objectives. We do not charge an annual fee for our services, which is why Carty believes our transactional model will benefit many clients.

We are committed to long-term relationships, have access to a diverse spectrum of products and specialized support, and provide integrated, personalized services and recommendations that are designed to assist you in selecting investment products aligned with your unique needs, goals and objectives. When you open a brokerage account at Carty, we will collect information about you and your investment profile, including your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information you may disclose to Carty or your financial professional. We rely on the information you provide to make recommendations and assess potential risks, rewards and costs of investment products and strategies associated with your account. If your circumstances change (e.g., as you get older or your employment or financial condition changes), you should contact us promptly and review your account(s) with your financial professional to consider any necessary changes.

Some of our financial professionals may have specific personal investment philosophies that differ in some respects from our general investment philosophy discussed above. If this is the case for your financial professional, before or at the time your financial professional makes a recommendation to you based on his or her specific personal investment philosophy, your financial professional should discuss this investment philosophy and address any questions you may have.

II. Understanding Carty's Brokerage Services and Accounts

As a general broker-dealer firm, Carty is in the business of buying and selling securities on behalf of its customers (as broker), for Carty's own account (as dealer), or both. Our primary business is in recommending, buying and selling fixed income securities (bonds) on a transactional basis. You, or your authorized representative, have the final word on all investment decisions in your Carty brokerage account and must approve each trade before it is executed. Neither Carty nor your investment professional offer or charge for account monitoring. However, if you hold your investments at Carty through Pershing, Carty's investment professionals generally review the holdings in your account when providing a recommendation to you. Carty maintains an open platform of investment offerings as an introducing broker-dealer through Pershing (our clearing firm and the custodian of your assets). We offer a wide range of mutual funds, exchange-traded funds, stocks, bonds, preferreds, closed end funds, brokered certificates of deposits, unit investment trusts, insurance, annuities, and structured products. We do not offer proprietary products or limit our offerings to products for which we receive third-party compensation. Our offerings consist of a wide range of asset classes so that, if you choose to do so, you can construct a diversified portfolio that appropriately balances risks and returns based on your investment objectives and risk tolerance.

A. Brokerage Services and Accounts at Carty

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase or by the settlement date. With a margin brokerage account, you may borrow part of the purchase price from our clearing firm, Pershing. This is generally referred to as a "margin loan". Securities in your account are the collateral against the portion of the purchase price that is loaned to you. You will incur interest charges on all margin balances. Some assets are not available for margin collateral purposes. The default brokerage option at Carty is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact a financial professional.

B. Acting as Agent or Principal

When completing your order, Carty will act as either agent (broker) or as principal (dealer). When acting as agent, Carty will route your order to a dealer, exchange or other marketplace. When acting as principal (dealer), Carty will sell a security from Carty's own inventory to you or purchase a security from you for Carty's own inventory, depending on your order.

C. Types of Brokerage Accounts

Carty offers many different brokerage account types including individual and joint accounts, custodial accounts, estate and trust accounts, corporate accounts, partnership accounts, 529 plans, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to our account agreement(s) for more information concerning available account types or speak with a Carty financial professional. It is important for you to note that, while our brokerage compensation primarily depends on the investment products you select and on the amount of trades you direct us to execute, our fees also vary by account type. For example, Carty receives certain administrative fees when Pershing acts as an IRA custodian that we do not receive with respect to taxable accounts. We do not share these account-level fees with your financial professional. When we make a securities recommendation, investment strategy recommendation, or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer. With respect to brokerage retirement accounts—which include IRAs, Roth IRAs, Health Savings Accounts (HSAs), 529 Education Savings Accounts, a plan covered by Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or a plan described in section 4975(e)(1)(A) of the Internal Revenue Code ("IRC")—we act in your best interest but will not be considered a fiduciary under ERISA and/or under section 4975 of the IRC. Carty does not and will not agree to enter a fiduciary relationship with you. In addition, because Carty does not provide legal or tax advice, you should consider engaging the services of a professional estate planner, lawyer, and/or tax advisor as needed. Your financial professional at Carty serves as your key relationship contact for your brokerage account(s) at Carty. When you open a brokerage account at Carty, your financial professional helps you identify your investment profile, goals and strategies to help assess which types of investments and products may be in your best interest. Any recommendations made by Carty or your financial professional is offered in your best interest and based on your investment profile and the information reasonably available at the time the recommendation is made.

D. Our Role When Providing Brokerage Services

As a securities broker-dealer, Carty is held to high legal standards under applicable federal and state securities laws and the rules of self-regulatory organizations for broker-dealers such as FINRA. We are also subject to state insurance laws relative to the sale of life and annuity products. Among other things, these regulations require Carty to:

- ✓ obtain your investor profile, including your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information you think is important for us to know about you;
- ✓ ensure that any recommendation we make is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us;
- ✓ provide information about investments based on the nature of the security as well as its potential risks, rewards, and costs.
- ✓ obtain prices for trades that are fair and reasonable according to market conditions and to make sure that the commissions and fees you pay are not excessive; and
- ✓ treat you in a manner characterized by principles of fair dealing and high standard of honesty and integrity.

E. Material Limitations on Our Services

Notwithstanding the wide range of broker-dealer services and investments we make available, there are certain material limitations on our and our financial professional's services and the investments we make available.

- **Financial Professional Limitations –** Not all our financial professionals can offer the full range of investments and services our firm offers.
- **Financial Professionals with Limited Securities Licenses** – Even though our firm offers access to a wide range of investments, some of our financial professionals hold securities licenses that permit them to recommend, offer, and sell only certain types of investments. If your financial professional holds securities licenses that limit the products they can offer, he/she will not be able to recommend, offer or sell you any investment not covered by his/her securities licenses. By request, another financial professional will help you with these products.
- **Financial Professionals Without Insurance Licenses** – Even though our firm offers access to a wide range of fixed annuity products, some of our financial professionals do not hold the insurance license required to recommend, offer and sell insurance products. If your financial professional does not hold an insurance license and you are interested in a fixed annuity, Carty can appoint a representative who is licensed to help you.

- **How to Check Your Financial Professional's Licenses** – You are encouraged to research your financial professional's experience and securities licenses on FINRA's Broker Check website at https://brokercheck.finra.org/

III. Risks of Investing

Some amount of risk is involved in all investment recommendations and activities, including the risk that you may lose your entire principal. Some investments involve more risk than others. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your "risk tolerance," meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments. We align risk tolerances with investment needs to offer you different investment objectives from which to choose. Carty and its financial professionals cannot and do not guarantee the performance of any of your investments.

IV. Understanding How Carty and Our Financial Professionals are Compensated

Carty and our financial professionals are compensated primarily from the fees and charges you (our customers) pay in connection with your Carty brokerage account(s) and the transactions executed therein. We also earn revenue/compensation from product providers and others ("third parties") who assist us in providing the investments and services we offer you. The way we are compensated creates an incentive for us to recommend you invest in products that result in greater revenue to us, to maintain cash balances in sweep accounts, to trade more frequently and in larger amounts, and to trade with us against our own accounts as principal. We mitigate these conflicts through disclosure and the establishment of policies, procedures, and risk-based supervisory practices.

A. Fees and Commissions We Receive

Following lists different types of revenues we receive from our customers.

- **Commissions** – Carty and our financial professionals receive commissions when we execute transactions resulting in the purchase or sale of a security. Commissions are based on each specific transaction and not the size of your total account. A commission is typically paid at the time of the sale and can reduce the amount available to invest or can be charged directly against an investment. Commissions present conflicts of interest. Commissions vary from product to product and we earn more from recommendations that result in an investment with a higher commission. Additionally, where commissions apply, the more transactions you enter, the more compensation we receive. For more information about the commissions that apply to particular transactions, please refer to the section of this brochure for the type of security you are considering, and the applicable prospectus or other offering documents and the confirmation statements we provide to you after the transaction. Commissions are paid to Carty and shared with your financial professional. Commissions may be negotiated in some cases, and you may pay more or less than similar customers for identical transactions depending on your circumstances, and the incidental services being provided to you. Commissions vary by product to product which creates an incentive to sell a higher commission security than a lower one. Carty takes steps to reduce this incentive in its review of recommendations, products offered and compensation to its financial professionals.
- **Markups & Markdowns** – Sometimes, typically with Municipal and/or Corporate bonds, Carty may sell the security to you directly out of its inventory or buy the security from you and place it in our inventory. When this occurs, Carty is acting as principal or dealer, and the fee Carty receives is part of the price you pay in buying the security (called a "markup") or the price you receive in selling the security (called a "markdown"). Markups and markdowns create an incentive for us to recommend securities that we have in inventory or where we are participating in an underwriting, and execute your trade against our proprietary accounts, including selling your securities that might otherwise be hard to sell or help to meet our obligations in an underwriting or selling syndicate. If you do not see the markup

disclosed on your confirmation you may ask us or your financial professional to obtain it for you. Markups and markdowns may be negotiated, and you may pay more or less than similar customers for identical transactions depending on your circumstances and the incidental services being provided to you.

- **Sales Loads and Sales Charges** – With mutual funds and variable annuities, the transaction-based fee you pay is called a sales load or a sales charge. These fees are typically deducted from, and thus reduce, the amount of your initial investment. Like commissions, these charges present conflicts of interest. They vary from product to product, and we earn more from recommendations that result in an investment with a higher sales load or sales charge. This compensation is likewise shared with your financial professional. We mitigate these conflicts by disclosing them to you, and by establishing policies, procedures, and risk-based supervision to review certain product recommendations.
- **Transaction Fees and Confirmation Fees** – Confirmation fees are charged for all paper confirms sent to those customers who have not elected to receive confirms via electronic mail. This fee is generally $4.00 per transaction. Additionally, Carty passes on certain regulatory fees charged by self-regulatory organizations and other government agencies on certain transactions. These fees are noted as transaction fees and apply to the sale of exchange-listed equities. The nominal amount will vary based on the volume of shares traded.
- **Margin Interest** – If your account has been approved for margin privileges, you may choose to borrow money from Pershing, as custodian of your assets, to pay for a portion of the securities you purchase. Carty has an incentive to recommend you purchase securities on margin because Carty receives a portion of the interest you pay on your margin account. Our financial professionals do not share in margin interest paid by clients.
- **Error Corrections** – In the event a trade error occurs in an account and such error is determined to be caused by us, Carty will reimburse your account for any resulting monetary loss, and your account will retain any monetary gain. If a trade correction is required as a result of your action or inaction, you will bear any resulting monetary loss, and Carty will retain any monetary gain.
- **Miscellaneous Fees** – Carty charges miscellaneous fees directly to your brokerage account depending upon the type of transactions in which you engage. You should expect that such fees will include a profit (or mark-up) to us, and certain of the fees may be lowered or waived for certain customers depending upon the particular circumstances of each transaction, which creates a conflict. We may add, modify, or delete direct fees and charges upon prior notice to you. We mitigate these conflicts by disclosing them to you. Common miscellaneous fees are set forth below, however, this list is not comprehensive. Miscellaneous fees are retained by Carty and are not shared with your financial professional.

TRADING
Trade Confirm and Handling $4.00 per trade
Regulation T Extension $10.00 per extension
TRANSFERS
Outgoing $100.00
Accommodation Transfers $60.00
Legal Transfers $60.00
Direct registration Transfer $10.00
RETIREMENT
IRA Maintenance Fee $48.50 on account anniversary
QRP Maintenance Fee $58.50 on account anniversary
Individual (k) and Simplified 401(k) $75.00 Maintenance Fee
Termination Fee $100.00

MISCELLANEOUS
Accommodation/Research Fee $40.00 per hour
Inactive Annual Account Fee $40.00 per account
NSF or Returned Check $25.00 per item

Stop Payment $25.00 per item
Wire Funds $20.00 per item
Dividend Reinvestment Fee $1.00 per CUSIP
Pershing Cost Basis (PES) $12.00 annually
Voluntary Reorganization $20.00 per event
CORESTONE CHECKING FEE (Available upon request)

- **Revenue/Compensation We Receive from Third Parties -** Carty and your financial professional receive compensation from some investment products or their sponsors in connection with certain investments you make in your brokerage account. This compensation can include ongoing payments that are received over the life of investments, commonly known as "12b-1 fees", "trails", or "service fees". Financial professionals receive a portion of the trails and service fee compensation, but otherwise do not directly share in these third-party payments. As a result, Carty and financial professionals have a conflict to recommend you purchase mutual funds and other products that pay greater trails and service fees over those with lower trails and service fees. We mitigate these conflicts by disclosing them to you, by not sharing compensation other than trails and service fees with financial professionals, and by establishing policies, procedures, and risk-based supervision to review product recommendations. For more information about trail compensation, please refer to the applicable prospectus or offering document.
- **Revenue Sharing** – Certain product sponsors share with us the revenue they earn from you when you invest in certain investment products (primarily mutual funds and variable annuities). Carty has an incentive to recommend or invest your assets in these products or with these product sponsors over others that share less or no revenue with us.
- **Cash Sweeps** – If your brokerage account participates in a cash sweep option available through Pershing, cash balances will be deposited into deposit accounts at one or more options that you have chosen. Carty and Pershing share in the distribution costs of certain money market funds and FDIC-insured bank deposit programs based on aggregate totals held in each pricing group within each fund provider. Your financial professional shares in these revenues.

B. Your Financial Professional's Compensation

Your financial professional will provide information and recommendations based on your financial profile and risk tolerance. Recommendations should be in your best interest and not influenced by the amount of compensation received on the transaction type. Your financial professional is entitled to receive compensation and other benefits from Carty based on the amount of revenue he or she generates.

- **Cash Compensation** – We generally pay your financial professional a percentage of revenues generated called "Production". The percentage of Production your financial professional receives depends on his or her agreements with Carty and can be more or less than what he or she would receive at another brokerage firm. Payout percentages typically range from 40% to 48%. Additionally, payments from us can include a bonus ranging from 1% to 10%, also based on his or her revenues. Your financial professional's total cash compensation increases as his or her Production increases, and this creates an incentive for your financial professional to recommend more transactions. Additionally, we pay compensation to specific product traders (i.e. municipal bond traders or corporate bond traders) and sales managers based on aggregate Production by the financial professionals selling certain trader's products or total Production from the manager's office. In some cases, a portion of the financial professional's Production can result in compensation to his or her sales manager for supervision and administrative or sales support. When a supervisor is compensated based on the Production of the person he or she is supervising, the supervisor has an incentive for you to make investments that generate greater compensation for the supervisor. When a trader is compensated based on the Production in certain products they trade (i.e. municipal bonds or corporate bonds), the trader has an incentive for you to make investments in his/her products creating a conflict between the recommendations of different products. The compensation arrangements between your financial professional and his or her sales manager also create incentives for your financial professional to recommend transactions, investment products, and services that generate greater amounts of revenue for Carty, the sales manager, and your financial professional. We mitigate these conflicts by disclosing them to you, and by establishing policies, procedures, and risk-based supervision to review product recommendations.

- **Training, Marketing, and other Noncash Incentives -** Third-party providers such as mutual fund wholesalers, annuity wholesalers, UIT wholesalers, retirement plan distributors, investment managers and insurance distributors may provide training to our financial professionals and the firm. Training of our financial professionals can occur at one of our offices, seminars, meetings, or other events. The training focuses on, among other things, the third-party provider's products, suitability, product literature and product support. This could lead our financial professionals to focus on these third-party providers' products versus other third-party products that are not represented at these events or that do not provide such training. Consistent with industry regulations, third-party providers are also allowed to give financial professionals gifts up to a total value of $100 per provider per year. Third parties may occasionally provide financial professionals with meals and entertainment of reasonable value. Additionally, third parties may provide the firm and our financial professionals with access to certain marketing materials and research tools or software that are developed or subscribed to by third parties. We want you to understand this creates a conflict of interest for Carty and our financial professionals to the extent that this may cause them to prefer those product partners that have greater access, marketing opportunities and educational opportunities.
- **Awards and Recognition** - We strive to recognize the success of our financial professionals with awards and recognition, which may be interpreted as a type of incentive.
- **Financial Professional Outside Business Activities -** If approved by Carty, your financial professional is permitted to engage in certain outside business activities. In certain cases, your financial professional may receive greater compensation through the outside business than through us. If your financial professional is engaged in an outside business activity that is required to be reported to us, you can find more information at brokercheck.finra.org

V. Our Products and Associated Costs

Carty offers customers a wide range of investment choices. In our continued commitment to be transparent with our customers, we want to ensure you understand what products are available and how Carty and its financial professionals are compensated for transactions in these products.

A. Equity/Stock Transactions

When you invest in a stock, you become one of the owners of a corporation. Stocks represent ownership shares, also known as equity shares. Whether you make or lose money on a stock depends on the success or failure of the company, which type of stock you own, and what is going on in the stock market overall and other factors. Common stock is a share of ownership in a company and claim on part of its assets and profits. Preferred stock is an equity security that has characteristics of both debt and common stock. Preferred stock is a class of ownership in a company that has a higher claim than common stock on the company's assets and profits. Our equity trading desk has arrangements with member firms of all exchanges to ensure timely and favorable executions in listed stock. Our customer's orders are routed to the exchange or dealer where the best execution can occur as determined by the national best bid and offer. We are constantly advancing our technological systems to provide our customers with the best service and prices. All equity/stock transactions carry risks, including your loss of principal. This can occur due to poor financial performance by the company, bankruptcy or insolvency, and other factors that negatively affect the economy generally or specific sectors within the economy. It is important for you to evaluate the risks associated with the company when deciding to buy or sell equities/stocks. When you buy or sell stock, you will pay a commission based on the amount of the transaction. Our compensation/ commission will be a minimum of $50 per transaction. In addition to a commission, Carty generally charges a transaction fee when you buy or sell stock in a brokerage account.

B. Cash Sweep Program Feature

Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on cash balances in your brokerage account by allowing cash balances to be automatically "swept" into a "Cash Sweep Vehicle," until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. You will receive additional information concerning the Cash Sweep Program in your account agreement(s). For more information about the Cash Sweep Program, please consult with your financial professional. Carty's compensation for these products will range from 0 basis points to 50 basis points depending on the aggregate total held in certain pricing groups within each fund provider. In the event that a fund company or FDIC insured deposit administrator, in its sole discretion or due to regulatory change, reduces or waives a portion or all of the fund's fees paid to Pershing, Pershing shall proportionately reduce or waive that portion of the fee payable to Carty. Carty agrees to accept such reduced fee in full payment of the fee due.

C. Fixed-Income Securities

Fixed-Income securities are debt instruments that pay a fixed amount of interest to investors in the form of coupon payments. Typically, the interest payments are made semiannually while the principal invested returns to the investor at maturity. Before you invest in fixed income, it is important that you fully understand the options available, the costs of investing, and the risks associated with each investment. Like any investment, fixed income carries risks, which include interest rate risk, credit risk, liquidity risk, market risk, prepayment and extension risk. The degree of these and other risks will vary depending on the specific investments you choose. The higher the return, the higher the risk. It is important to refer to the official statement and/or other offering material and discuss your specific needs and circumstances with your financial professional when purchasing fixed income securities. When you buy or sell a secondary bond, Carty may act as either an agent or a principal. If we act as an agent, your trade confirmation will display the commission you pay, which may be up to 3% of the dollar amount you buy or sell. If you buy a bond from our inventory or sell a bond that we purchase directly from you, we act as a principal. If trade is the same day as the inventory item was purchased, you will see the markup or markdown, which is included in the price, displayed as a line item in the trade confirmation. The markup or markdown may be up to 3% of the dollar amount you buy or sell. The price is also adjusted to reflect changes in interest rates and market prices that have occurred since you or we bought the security. As a result of these changes, Carty can earn revenue or incur losses from buying or selling securities as principal. How is your financial professional compensated? Your financial professional receives a percentage of any commissions, markups or markdowns Carty earns on fixed-income securities/bonds transactions. Revenue Carty earns from transactions in fixed-income securities/bonds affects Carty's overall profitability and thus may affect any bonus your financial professional receives. Most fixed income trades also have a small $4 transaction fee. The following ae most common forms of fixed-income securities:

- **Corporate Bonds** - Corporate bonds (also called "corporates") are debt obligations, or IOUs, issued by privately and publicly owned corporations. When you buy a corporate bond, you essentially lend money to the entity that issued it. In return for the loan of your funds, the issuer agrees to pay you interest and to return the original loan amount – the face value or principal – when the bond matures or is called (the "maturity date" or "call date"). Corporate bonds range from triple "A" to below investment grade. Investment grade are bonds rated BBB-/Baa3 or higher. Bonds with lower ratings are considered high yield, or speculative.
- **Municipal Bonds** - Municipal bonds are debt obligations issued by states, cities, counties, and other governmental entities, which use the money to build schools, highways, hospitals, sewer systems and many other projects for the public good. When you purchase a municipal bond, you are lending money to a state or local government entity, which in turn promises to pay you a specified amount of interest (usually paid semiannually) and return the principal to you on a specific maturity date. Many bonds allow the issuer to call – or retire – all or a portion of the bonds at a premium, or at par, before maturity. When buying bonds, be sure to ask your investment representative about call provisions, and the difference between the yield to call and the yield to maturity. Most municipal bonds offer federal, state – and often local – tax exemption on interest paid to residents of the state of issuance. * In this

heterogeneous market, tax free bond quality ranges from non-rated "junk" bonds to triple "A", government guaranteed bonds. We have a knowledgeable, experienced staff and trading desk available to evaluate and price all types of credits. We offer a wide range of choices to meet your investment objectives regarding investment quality, maturity, choice of issuer, type of bond and geographical location as well as the marketability in the event you must sell before maturity. For additional information on municipal bond education and information on a specific municipal bond: finra.org/investors/municipal-bonds and emma.msrb.org/

*If you are subject to the Alternative Minimum Tax (AMT), you may have to include interest income from certain municipal securities in calculating your income. There are different tax considerations when buying and selling bonds with gains and losses. Since tax laws frequently change, consult your tax lawyer or accountant for up-to-date advice.

- **Government-Sponsored Bonds (Agency Bonds) -** Agency bonds are bonds issued by government-sponsored enterprises, such as Fannie Mae and the Federal Home Loan Banks, and by wholly owned government corporations such as the Tennessee Valley Authority (TVA). When you buy an agency bond, the issuer pays you interest on the number of bonds you purchase. At a stated date in the future (the maturity date), the issuer returns your principal to you if you still hold the agency bond. The maturity dates typically range from one year to 40 years.
- **United States Treasury Securities (U.S. Treasuries) -** U.S. Treasuries are debt obligations of the U.S. government. These include bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS), and savings bonds. When you buy a U.S. Treasury, you lend money to the federal government for a specified period. U.S. Treasury bills are short-term instruments with maturities of no more than one year. U.S. Treasury notes are intermediate to long-term investments, typically issued in maturities of two, three, five, seven, and 10 years. U.S. Treasury bonds cover terms of more than 10 years and are currently issued in 30-year maturities. Interest is paid semiannually.
- **Mortgage-Backed Securities -** Mortgage-backed securities are bonds or notes backed by mortgages on residential or commercial properties. When you buy a mortgage-backed security, you are purchasing an interest in pools of loans or other financial assets. As the borrowers pay off the underlying loans, you receive payments of interest and principal over time.
- **Certificates of Deposit ("CDs") -** CDs are savings instruments issued by banks and savings and loan institutions. When you buy a CD, you lend the bank or savings and loan institution a set amount of money, which the institution may use to invest in securities or loans. CDs offer a variety of maturities and interest payment options and are insured to a limited extent by the FDIC. Like most bonds, CDs carry some default risk or credit risk, and are subject to market risk. For information about FDIC insurance, visit fdic.gov

D. Investment Funds

Investment funds pool the money of many investors and invest according to a specific strategy. Funds come in various types, each with differing features. Generally, publicly-offered funds—such as mutual funds, exchange-traded funds, closed-end funds and unit investment trusts—must be registered with the Securities and Exchange Commission (SEC) as investment companies. Private investment funds (often called hedge funds) are often exempt from registration.

Funds can offer diversification and professional management—and they can provide feature a wide variety of investment strategies and styles. As with any security, investing in a fund involves risk, including the possibility that you may lose money. How a fund performed in the past is not an indication of how it will perform in the future. How is Carty paid for our services? The mutual fund company pays Carty a commission at the time you make your investment and pays ongoing service fees. The service fees are composed of 12b-1 fees or annual distribution fees that you pay to the mutual fund company. Most mutual funds carry a direct or indirect sales charge that you pay to the mutual fund company either at the time the shares are purchased (front-end charges) or on a regular basis for as long as you hold the fund (deferred sales charges). Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. Carty's compensation will not exceed 5.75%

per mutual fund transaction. This compensation is known as a load or a sales charge as referenced throughout this disclosure brochure. Depending on the specific fund, share class purchased, your eligibility in meeting breakpoints and/or rights of accumulation, your transaction could cost less. Carty will receive between 0.03% to 1.00% in 12b-1 fees and/or annual distribution fees. Some mutual funds do not charge 12b-1 fees but do charge management and expense ratio fees.

Class A Shares – For Class A share mutual funds, you typically pay a front-end sales charge, called a load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. At a certain level, typically $1 million, you may stop paying sales charges. Many mutual funds also allow investors to aggregate their holdings in related accounts (accounts owned by the investor and/or certain of his or her family members) in that fund family to determine the appropriate breakpoint for any additional investment amounts in that fund. These discounts are called "rights of accumulation" and vary from fund to fund. Because aggregation policies are determined by each fund, it is important to read a fund's prospectus before you invest to understand that fund's policies. In addition, many funds also allow for discounts through an agreement with the investor where a commitment is made to invest a predetermined amount over time (usually 13 months) and the total amount to be invested will achieve a breakpoint level. This type of discount is called a "letter of intent," and the use of a letter intent will also vary from fund to fund. However, if an investor does not meet the committed amount within the time period, the discounted sales charge will be recaptured from the investor, and the fund reserves the right to sell enough of the investor's holdings to accomplish the recapture. Annual operating expenses for Class A shares are generally lower than those of Class C shares.

Class C Shares – For Class C share mutual funds, you are normally not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are usually higher than those of class A shares. Class C shares do not offer breakpoint discounts.

NAV, Reinstatements, and Exchanges – Some funds allow for a qualifying investor to purchase front-end load shares at the fund's NAV, meaning without a sales charge when the investor is selling one fund to purchase another in that same family of funds. These same fund family transactions are known as "exchanges." However, some funds limit the number of times this may occur. In addition, some funds may charge a short-term redemption exchange fee based on how long you held a fund before an exchange within the same family of funds. Some funds also allow an investor to purchase front-end load shares at NAV under a "reinstatement" plan, where the investor recently sold shares in that same fund (usually within the past 60-90 days); however, times vary between funds and may repurchase shares at NAV in situations where the investor is using the proceeds from the redemption of some other mutual funds and the investor was charged a sales load on those funds. These are known as "NAV transfer" investments and are subject to limitations if and or when available. Because exchange, reinstatement, and NAV transfer policies are determined by each fund, please ask your Carty financial professional for a prospectus. Carty does not charge commissions or fees with respect to the liquidation of mutual fund investments and does not share in any CDSC assessed by the mutual fund management company or distributor. All mutual funds carry built-in operating expenses that affect the fund's return. Examples include investment management fees, distribution and marketing fees (called 12b-1 fees or annual distribution fees) and mutual fund transaction fees. Details on the operating expenses are included in each fund's prospectus or offering document. Mutual fund prospectuses contain more complete information, including the fund's investment objectives, risks, and charges and expenses, as well as other important information that you should carefully consider before investing. For more detailed information, ask your Carty financial professional for a prospectus.

Revenue Sharing – Certain mutual funds may pay Carty additional amounts known as revenue sharing payments, which are based on overall sales and/or assets on behalf of the fund or its fund family.

Networking and Shareholder Accounting Fees – Carty has entered into networking agreements and shareholder accounting agreements with many mutual fund companies, including all our preferred mutual fund families, to provide certain services for the mutual fund companies. Virtually all of Carty's transactions relating to mutual funds and 529 plans involve product partners that pay shareholder accounting and/or networking fees to Carty.

How is your financial professional compensated? Your financial professional receives a percentage of the commission and a portion of any ongoing service fees the mutual fund company pays to Carty. The service fees are composed of 12b-1 fees or annual distribution fees that you pay to the mutual fund company. Revenue that Carty receives from revenue sharing, networking and shareholder accounting fees affects our overall profitability and thus may affect any bonus your financial professional receives.

- **Closed-End Funds -** A closed-end fund is a type of investment company that has a fixed number of shares that are publicly traded. Prices for shares of a closed-end fund fluctuate based on investor supply and demand. Closed-end funds are not required to redeem shares. Closed-end funds trade like stocks and are typically listed on an exchange. Closed-end funds carry risks, including loss of your investment principal. The risks associated with a specific closed-end fund will correlate to those of its strategy, and underlying investments and markets. If you sell a closed-end fund on the secondary market, the price you receive may be lower than you paid, and lower than its NAV at the time of sale. How is Carty paid for its services? We act as an agent for your closed-end fund transactions. This means we send your order to an external venue to buy or sell shares of the closed-end fund. You pay a commission based on the amount of the transaction. If you purchase a new offering of a closed-end fund, we receive commissions paid out of the underwriting selling concession, which is determined during each specific new offering.
- **Exchange-Traded Funds ("ETFs") -** An ETF is a security that tracks an index, commodity, or a basket of assets. For example, an ETF may track securities like an index fund. ETFs are typically listed on an exchange and trade like a stock. ETFs may experience price changes throughout the day as they are bought and sold. All ETFs carry risks including market, liquidity, price tracking risk, including loss of your investment principal. Carty prohibits the sale of leveraged ETFs, inverse ETFs, and leveraged-inverse ETFs. How is Carty paid for our services? We act as an agent for your ETF transactions. This means we send your order to an external venue to buy or sell shares of the ETF. You pay a commission based on the amount of the transaction. ETFs also carry built-in operating expenses that affect the fund's return. Our compensation/ commission will not exceed 3% per equity transaction. In addition to a commission, Carty generally charges a transaction fee when you buy or sell shares of an ETF. How is your financial professional compensated? Your financial professional receives a percentage of the commissions from ETF trades. Revenue generated by ETF transactions affect Carty's overall profitability and thus may affect any bonus your financial professional receives.
- **Unit Investment Trusts (UITs) -** A UIT is an investment in a fixed, diversified group of professionally selected securities. As a holder of a unit trust, you own a portion of the securities in the trust. UITs carry risks, including loss of your investment principal. The risks associated with a specific UIT will correlate to those of its strategy, and underlying investments and markets. How is Carty compensated? You typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. Your sales charges on new issues usually decrease as your investment increases, based on a breakpoint schedule. We receive a portion of that sales charge from the provider sponsoring the UIT. Carty's compensation will not exceed 2.75% per UIT transaction. For your specific transaction(s), please refer to the prospectus and/or offering documents for additional product and service information. UITs carry built-in operating expenses that affect their return. Details on the operating expenses and organizational fees are included in each UIT's prospectus.

E. Annuities

Before you invest in annuities, it is important that you fully understand the options available, the costs and management fees of investing in an annuity, which can impact investment returns, and the risks associated with investing in the annuity. There are various features, benefits, limitations, fees, expenses, early surrender charges, penalties, and possible tax implications that may apply to a specific annuity. In many cases, the assets invested in the underlying annuity subaccount(s) are subject to current fluctuation due to market risk, and you can lose your investment principal. Therefore, it is important to read the prospectus, contract, statement of additional information, and offering material, and to discuss your individual needs and circumstances with your financial professional. The sales charge that Carty receives for annuity transactions will not exceed 7.5% of the amount of your investment. The service fees or trail commissions that you pay on certain types of annuity products are composed of fees and charges imposed under the annuity contract, and other sources. We will receive between 0.00% and 1.50% of the trails and service fees, depending on the specific fund and share class you purchase, and the owner's age at issuance. In addition to sales charges, variable annuities have ongoing operating expenses that reduce your investment returns. These expenses "pay" the insurance benefit fees, administrative fees, distribution and marketing fees, investment management fees and securities transaction fees, if applicable. There may also be an additional ongoing expense to add an optional death benefit to the contract, such as a withdrawal benefit or an enhanced death benefit. These additional costs can include mortality and expense charges ranging between 0.80% and 1.65%, subaccount expenses ranging between 0.28% and 3.72%, administrative fees ranging between 0.10% and 0.25%, contract maintenance fees ranging between $30.00 and $50.00, generally. Some, or all, of these fees apply to annuities depending on your purchase. For more detailed information, please ask your Carty financial professional for a prospectus.

- **Fixed Annuities -** A fixed annuity is a contract issued by an insurance company that pays specific rates of interest, for a predetermined period, and is subject to the insurance company's conditions and ability to meet obligations. You do not pay a front-end sales charge when you purchase a fixed annuity, but you may pay a CDSC to the insurance company if you liquidate the contract before the end of a certain period of time. The percentage amount of the CDSC usually declines over time. Typically, you do not pay any sales charges or annual operating expenses when you purchase a fixed annuity. The insurance company considers all its costs, including commissions, when determining the interest rate and CDSC. If you choose to renew your fixed annuity contract, you typically renew the CDSC schedule as well. If you liquidate your fixed annuity before the age of 59½, some, or all, of the surrendered value may be subject to a 10% penalty under the Internal Revenue Code. Please consult your tax advisor for further details. Also, you may pay a market value adjustment if interest rates have risen and you request a surrender before the end of a certain period. There may also be an additional ongoing expense to add an optional benefit to the contract, such as an income rider. For more detailed information about the cost of purchasing a fixed annuity, please ask your Carty financial professional for a prospectus. How is Carty paid for its services? The insurance company pays Carty a commission at the time you pay your premium, and for most contracts, at the time of any subsequent renewal. The commission is not deducted from your initial premium or renewal amount, and there are no explicit annual operating expenses associated with your fixed annuity. The insurance company considers all its costs, including commissions, when determining the interest rate you earn on your premium. *Revenue Sharing* – Certain insurance companies may pay Carty additional amounts known as revenue sharing.

F. Individual Retirement Accounts (IRAs)

IRAs are designed to help you save for retirement. IRAs include traditional, Roth, SEP and SIMPLE accounts. How is Carty paid for its services? Please consult our schedule of miscellaneous fees in this brochure or discuss specific IRA fees with a financial professional. In addition to IRA fees, you will be charged regular commissions based on the products purchased in an IRA. IRA annual fees are charged at the time the account is opened whether it is funded or not. How is your financial professional paid? Your financial professional receives a share of commissions. To the extent that IRAs hold mutual fund investments, revenue that Carty receives from revenue sharing, networking/shareholder accounting fees affects our overall profitability and thus may affect any bonus your financial professional receives.

- **Rollovers** – If you decide to roll assets out of an employer-sponsored retirement plan, such as a 401(k) plan, into an Individual Retirement Account (an "IRA"), we have a financial incentive to recommend that you invest those assets in the IRA because we will earn compensation on those assets, for example, through commissions and third-party payments. You should be aware that such fees and commissions could be higher than those you pay through your plan, and there can be additional maintenance fees. Some securities held in a retirement plan cannot be transferred to an IRA and commissions charged on transactions in the IRA will be in addition to commissions and sales charges previously paid on transactions in the plan.
- **529 Education Savings Plans -** 529 education savings plans are state-sponsored programs designed to help finance education expenses. It is important to read the offering document carefully before investing as each program description contains important information about an investment in a 529 plan. Carty

works with product partners to offer 529 plans. These plans generally carry sales charges, either front-end or deferred, based on the share class and the amount invested. We receive a portion of your front-end or deferred sales charge. Front-end sales charges typically decrease as your investment increases, based on a breakpoint schedule. Programs with deferred sales charges carry a fee if you sell investment units before a specified period elapses. The sales charge declines over time until it reaches zero. In addition, you may pay an annual account maintenance fee depending on the plan (typically no more than $15.00). Generally, this fee is automatically deducted from your account and goes directly to the plan provider. 529 plans carry built-in operating expenses that affect the fund's return. Examples of operating expenses include distribution and marketing fees (12b-1 fees), management fees, networking fees and transaction fees. Details on the operating expenses are included in each plan's program description document. Some product partners may also make payments to Carty for revenue sharing and/or shareholder accounting. If you choose to close your account, you may pay the fund company a termination fee as detailed in the plan's program description document. Carty and your financial professional do not receive a portion of this fee.

G. Options

If you elect to use option strategies, you should consult Carty's Option Agreement which contains the terms for investing in options at Carty. Carty may require you to open a margin account to engage in options trading. Certain option strategies are very risky and may not be available to you based on your financial situation and objectives. Options are financial contracts that derive value based upon the value of an underlying asset, such as a security, commodity, currency or index. Derivative instruments may be used as a substitute for taking a position in the underlying asset or to try to hedge or reduce exposure to other risks. They may also be used to make speculative investments on the movement of the value of an underlying asset. The use of derivative instruments involves risks different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are also generally less liquid, and subject to greater volatility compared to stocks and bonds.

H. Margin

You may use margin to purchase securities or borrow cash against your portfolio of securities. Margin accounts are governed by Regulation T, FINRA and individual brokerage house rules. Margin accounts can be risky, and you may lose more money than you invest. You can also be required to deposit additional cash or securities in your account on short notice to cover market losses. In addition, you may be forced to sell some or all your securities when falling stock prices reduce the value of your securities. Carty can sell some, or all, of your securities without consulting you to pay off your margin loan. For more information about features and risks of margin accounts, please consult your margin agreement and discuss with your financial professional. Interest on all cash account delinquencies in investor accounts is charged directly to Carty and we pass through this charge to you as the investor.