



# caratel

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## Form ADV Part 2

This brochure provides information about the qualifications and business practices of Caratel Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at via telephone (954-918-3537) or via e-mail ([info@caratel.com](mailto:info@caratel.com)). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Caratel Financial Services, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Caratel Financial Services, Inc. is 120413

Caratel Financial Services, Inc. is registered in the States of Florida and Connecticut as a Registered Investment Advisor. Being "registered" does not imply a certain level of skill or training.

Date of Firm Brochure: 12/31/2019

## Item 2: Summary of Material Changes

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

- We no longer have a fax number (document transmission is via e-mail or use of a secure web portal)
- We have modified our Ongoing Relationship Fee (this modification only impacts new clients)

We suggest that all of our clients thoroughly review this new Brochure and discuss any questions or concerns with Caratel at their earliest convenience.

We will provide you with a new brochure as necessary based on changes or new information, at any time, without charge. Additionally, the most current ADV brochure is always available via the Resources link on Caratel's website.

Our brochure may also be requested by contacting Barry G. Katz, Chief Compliance Officer, at (954) 918-3537 or [info@caratel.com](mailto:info@caratel.com).

Additional information about Caratel Financial Services, Inc. is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Caratel Financial Services, Inc. who are registered, or are required to be registered, as an investment adviser representative of Caratel Financial Services, Inc.

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## **Item 4: Advisory Business**

### **Summary**

Caratel Financial Services, Inc. (Caratel) was incorporated in 1991. As of the date of this brochure we have been in business for approximately 29 years. Prior to that time, Barry G. Katz, Caratel's President, was involved in Commercial Real Estate finance.

We have been Fee-Only<sup>®</sup> financial advisors since our inception; the only compensation we receive is that paid to us directly by the client. The method used to determine fees charged may include a percentage of assets under management, hourly charges, fixed fees or a combination thereof. We provide comprehensive Financial Planning and Wealth Management services primarily to individuals, families and small businesses. We seek long-term relationships with clients. We are our clients' fiduciaries. This means that we put our clients' interests before our own. As of the date of this Brochure, Caratel manages \$40.8 million (rounded to the nearest \$100,000) of investment assets on a discretionary basis.

Caratel is 100% owned by its President, Barry G. Katz, MBA, CFP<sup>®</sup>.

More information regarding Caratel can be found in the pages that follow. Additional information, such as sample agreements are available upon request

### **Financial Planning and Wealth Management Services Offered**

Caratel offers services that, taken as a whole, are generally considered to constitute the profession of Financial Planning. Financial Planning involves analyzing a client's current and projected financial situation to determine if desired financial goals and objectives can be achieved based upon various assumptions applied.

Caratel recommends that all prospective clients complete and submit a Preliminary Financial Planning Questionnaire (PFPQ). The PFPQ is available on Caratel's web site. The PFPQ seeks to obtain a preliminary level of information regarding the prospective client's situation to determine a probability of their needs matching the services offered by Caratel.

Once this PFPQ is received, it is reviewed by Caratel. If it is determined that the needs and desires of the prospective client are a potential match for the services and fees of Caratel an Initial Consultation meeting will be scheduled. The Initial Consultation can take place in-person or via telephone or video conferencing service such as Skype. There is no charge for this initial meeting. During this meeting we will address any general questions the prospective client may have in regard to working with Caratel and the work product

to be generated. This meeting will not provide answers to specific financial planning issues but, rather, will serve as the framework for moving forward with a formal arrangement.

Caratel believes that everyone can benefit from completion of a comprehensive analysis of their financial situation covering the areas noted below that are applicable. However, we understand that for other reasons any particular client may select a scope of services that would not constitute a Comprehensive Financial Plan. Caratel works with each client to discuss their needs and desires and tailors the Financial Plan to their needs, desires and budget. A broader overview of a client's financial situation may be desired; this broader review is referred to as a Financial Assessment. For some, the planning process may only cover a single or more components, such as the portfolio. When discussed herein we use the term Financial Plan or Financial Planning Services to incorporate a Comprehensive Financial Plan, a Financial Assessment, a Portfolio Review or any subset of the planning process desired by the client.

Subsequent to the Initial Consultation but prior to engaging Caratel to provide any Financial Planning services, the client will be required to enter into one or more written agreements (together or separately, the "Client Agreement") with Caratel setting forth the terms and conditions (including the associated costs and fees) under which Caratel shall render its services.

Many times, the Financial Plan prepared for a client will contain a recommended portfolio of investments. This portfolio serves as one method toward achievement of the client's financial goals and objectives. If desired, Caratel provides its clients (for a fee) with regular updates to their Financial Plan as well as monitoring and reporting on their investment assets. When providing these services we refer to them as the Ongoing Relationship.

Caratel believes that everyone could benefit from working with a financial advisor. Therefore, there is no predefined type of client or asset level that we limit ourselves to (i.e., there is no stated account minimum). Generally, however, Caratel's clients will need to have achieved a level of income and/or net worth such that, relative to the fees charged by Caratel for the services provided, the client believes a positive economic value will be achieved. There are generally three levels of services offered to prospective clients. Clients do have the ability to combine or exclude components of these services to obtain the level of service they desire. Such limitations or specifics would be detailed in the Client Agreement.

## (1) Comprehensive Financial Planning combined with an Ongoing Relationship

**Comprehensive Financial Planning** - Depending upon the needs and objectives of the client<sup>1</sup> a Comprehensive Financial Plan can include detailed analysis and recommendations in areas such as:

- Net Worth (Balance Sheet)
- Cash Flow (Income statement and budgeting)
- Income Tax analysis (Caratel does not offer tax preparation services)
- Portfolio Review & Design
- Retirement Planning
- Emergency Fund Planning
- Education Planning
- Disability Insurance Planning<sup>2</sup>
- Life Insurance Planning<sup>3</sup>
- Long-Term Care Insurance Planning<sup>4</sup>
- Business Planning
- Estate Planning<sup>5</sup>
- Other Planning (defined in consultation between Caratel and the client)

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<sup>1</sup> For example, a couple without children would likely not receive guidance on college planning. A retired individual would not receive advice on disability insurance planning.

<sup>2</sup> Neither Caratel, its officers nor employees, are licensed insurance representatives. The analysis performed by Caratel is based upon a “practical” review of insurance needs and benefits reflecting an analysis of relevant information. Clients need to contact a licensed insurance agent directly or in concert with Caratel to verify any analysis and recommendations made. Clients should contact a licensed insurance professional before taking any action in regard to changes to their insurance coverages.

<sup>3</sup> Ibid

<sup>4</sup> Ibid

<sup>5</sup> Neither Caratel, its officers nor employees are qualified not legally able to provide legal advice of any kind. The analysis performed by Caratel is based upon a “practical” review of estate needs and benefits reflecting an analysis of relevant information. Clients need to contact a qualified attorney directly or in concert with Caratel to verify any analysis and recommendations made. Clients should consult with qualified legal counsel before taking any action in regard to changes to their estate

**Ongoing Relationship** - The nature of financial planning is that things change all the time. It is important that the client's Financial Plan reflect the changes that take place in their lives as well as the economy, the market and the world in which we live. As a result, all clients are strongly encouraged to retain Caratel to provide Ongoing Relationship Services (also referred to as an Ongoing Relationship).

Ongoing Relationship Services are separate from any Financial Planning services. A client who has retained Caratel to create a Financial Plan is under no obligation to use Caratel's Ongoing Relationship Services as they relate to the ongoing monitoring and updating of their financial situation. The choice of whether to retain Caratel for Ongoing Relationship Services can be made at any time. Ongoing Relationship Services may include:

- Annual updates (on or about the Plan's anniversary) to the Financial Plan and/or Portfolio Allocation;
- Access to Caratel for any question or issue related to the component(s) covered by the original assignment. Although rarely imposed, Caratel reserves the right to charge additional hourly fees to research and answer any query. The client will be advised, and will approve, any additional charges before they are incurred. If the client has not approved these fees the client does not have to pay them;
- Quarterly portfolio statements (if Caratel is monitoring the client's portfolio);
- Portfolio Performance Reports issued shortly after each calendar quarter-end (if Caratel is monitoring the client's portfolio).

In regard to the portfolio, Caratel primarily uses mutual funds and exchange traded funds (ETFs) as investment vehicles in accordance with the investment objectives of the client. We take advantage, where appropriate, of our ability to deal directly with and use specific Portfolio Managers and Strategists to implement client's desired portfolio goals. On occasion, other types of investments (e.g. individual debt and equity securities, real estate, oil and gas, etc.) and the securities component of variable annuity insurance products are reviewed for possible inclusion within a client's portfolio. However, Caratel does not make buy or sell recommendations on individual equities (stocks) or individual fixed income (bonds) investments although we may retain the services of trusted outside professionals to provide these services and recommendations. Clients can dictate limitations or other restrictions on the types and amounts of securities used. However, any limitation may impact the efficiency of the recommended portfolio of investments.

Caratel designs portfolios for clients consisting of various investment strategies and individual investments deemed best suited to achieve the client's goals and match the level of risk they are willing to accept. Caratel's goal is to ensure that the risk/reward elements of the aggregate portfolio are



maintained over the long-term. It is possible that at any point in time any particular investment or strategy will not be performing as expected. Caratel monitors portfolios at the strategy, account and aggregate level and makes recommendations for the client's portfolio based upon this analysis.

Although termed a "discretionary account," Caratel will not initiate any trades of individual securities (e.g., stocks, bonds, mutual funds or ETFs) or changes to Portfolio Managers or overall strategies within the portfolio without first obtaining the client's permission. This permission takes the form of an Authorization to Proceed form which is available via Caratel's web site or via a hard-copy which will be sent to the client upon request. On occasion other forms of written authorization may also be accepted.

The underlying holdings that constitute a particular investment (i.e., mutual fund, ETF, stock, bond or other security) or strategy will likely change over time at the discretion of the Portfolio Manager or Strategist. Additionally, Portfolio Managers and Strategists regularly rebalance the investment or strategy which will result in trading activity within the portfolio. This type of regular "maintenance" activity does not require – nor does Caratel seek – the client's authorization for these types of transactions.

As disclosed more fully in Item 12 below, Caratel generally recommends that clients utilize the brokerage and clearing services of the custodian (the "Custodian") with which Caratel has established a relationship for investment management accounts. However, client accounts may be held at another custodian, mutual fund or insurance company as directed by the client. Doing so may impact Caratel's ability to accurately monitor and report on these accounts and may impact the Ongoing Relationship Fee to be charged. Clients will be made aware, within the Client Agreement of any additional charges that would be incurred. Clients will need to provide Caratel with regular access to information regarding the holdings and activity in these accounts for Caratel to include them in the client's portfolio. Clients receive confirmation directly from the Custodian of trades made within their portfolio.

## **(2) Financial Assessment combined with an Ongoing Relationship**

**Financial Assessment** - A Financial Assessment is a broad, high-level overview of a client's current financial resources and financial goals. It is significantly less detailed than a Comprehensive Financial Plan. It is designed as a method to quickly obtain a broad picture of a client's current financial situation and to assess if their financial goals will be met.

A Financial Assessment can be an appropriate planning option for those clients who do not desire a more comprehensive and detailed approach to their finances or wish to benefit from the significantly lower cost of this process.

Ongoing Relationship Services associated with a Financial Assessment are the same as noted above.

### **(3) Portfolio Review combined with an Ongoing Relationship**

A portfolio review consists of a review of the client's existing portfolio from an aggregate perspective. The review does not focus on the relative attributes of the individual investments that constitute the portfolio. Rather, we evaluate the overall risk and efficiency of the existing aggregate portfolio using generally accepted statistical and performance measures. We evaluate how much risk the client is willing to accept by discussing their overall financial situation and using an interactive risk questionnaire to apply a qualitative figure to gauge acceptable risk in the portfolio.

As appropriate we make recommendations regarding modifications to the client's portfolio from an individual investment, account, strategy, and aggregate basis. We specifically do not make buy/or sell recommendations regarding individual stock or bond holdings other than from a risk/reward standpoint. However, we may retain the input of third-party managers or other resources to provide these recommendations.

Our recommendations incorporate those investments we believe are best suited to the client. Typically this involves mutual funds and ETFs but can include other investment products as we deem appropriate. We do evaluate the income tax consequences of any recommendations we make.

The development of the client's recommended portfolio generally consists of several steps including:

- The client's current portfolio is analyzed in aggregate based upon asset style and then further analyzed using various statistical measures.
- Based upon the client's estimated level of risk acceptance, the assumed time horizon, and our discussions, specific asset style allocations and strategies will be analyzed and weighted for a recommended portfolio.
- Various combinations and weightings of acceptable investments and/or investment strategies will be analyzed to determine the most effective combination.
- Final selection of investments and/or investment strategies will be made to ensure an acceptable asset allocation mix plus acceptable historical results.

NOTE: The design of a client's portfolio is based upon investments generally available to clients of Caratel with all accounts maintained at the Custodian with which Caratel maintains a relationship. Accounts maintained, by choice or necessity, at third-party entities may not have access to the named investments or strategies. Upon

implementation of the recommended portfolio an investment or strategy based upon a “best-fit” basis will be used in place of that recommended.

Ongoing Relationship Services with a Portfolio Review are the same as noted above.

Once agreed upon, the scope of services to be provided is detailed in a separate document, called a Client Agreement. Both Caratel and the client will sign the Client Agreement acknowledging their acceptance of the scope of the assignment and terms of the relationship including any and all fees and expenses.

The Client Agreement incorporates the terms and conditions of Caratel’s monitoring and handling of client investments. As part of the implementation of the recommended portfolio the client will execute various documents necessary to establish the investment accounts and will grant Caratel limited discretionary authority to manage the client account(s) directly via the Custodian and/or Platform Provider. In addition, the client will authorize the Custodian and/or Platform Provider to follow Caratel’s instructions as well as instructions given by the Portfolio Managers and Strategists to effect transactions, deliver securities, deduct fees and take other actions with respect to the client account. The client will not have a direct contractual relationship with the Portfolio Managers or Strategists as it relates to the handling of the client’s individual portfolio accounts, individual investments or strategies.

## **Item 5: Fees and Compensation**

Caratel is a Fee-Only Financial Planning Firm. As a Fee-Only® firm, Caratel’s only source of compensation is the fee paid by the client. Caratel adheres to the definition of a Fee-Only® Planner as provided by the National Association of Personal Financial Advisors (NAPFA). This definition is available on NAPFA’s web site ([www.napfa.org](http://www.napfa.org)) and is reproduced below.

*NAPFA defines a Fee-Only® financial advisor as one who is compensated solely by the client with neither the advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial product. Neither Members nor Affiliates may receive commissions, rebates, awards, finder’s fees, bonuses or other forms of compensation from others as a result of a client’s implementation of the individual’s planning recommendations. “Fee-offset” arrangements, 12b-1 fees, insurance rebates or renewals and wrap fee arrangements that are transaction based are examples of compensation arrangements that do not meet the NAPFA definition of Fee-Only practice.*

Caratel has been a continuous member of NAPFA in good-standing since 1993.

The formal engagement of Caratel by a client is initiated with the signing of a Client Agreement. The Client Agreement details the scope of the assignment (e.g., Comprehensive Financial Planning, Financial

Assessment, single components of Financial Planning, Ongoing Relationship, etc.) and its cost. On occasion, the financial related services desired by a client will not fit into a “standardized definition.” The Client Agreement allows for individualized services tailored to the desires of the client.

Once signed, the Client Agreement can be cancelled in its entirety within two (2) business days from the date signed without penalty. Clients will receive a complete refund of any fees paid less any expenses incurred by Caratel in that time period. Clients will receive details of any incurred expenses. Cancellation by the client after the 2nd business day will result in forfeiture of the deposit earned (see next paragraph). If the client’s initial deposit was made by check then the client must wait at least seven (7) business days after its deposit before Caratel will issue a refund. After two (2) business days from the date of the Agreement, either the client or Caratel may terminate the Agreement with written notice to the other. The client is responsible for any outstanding work and expenses billable to the acknowledged date of receipt of the termination notice.

Signing the Client Agreement initiates an internal administrative, work-flow and monitoring process. Cancellation of the Agreement by the client any time after the second (2nd) business day of its execution will result in a service charge being imposed equal to the lesser of \$500 or 100% of the deposit provided. Five (5) business days after the date of the Agreement 100% of any deposit made is considered earned and no portion is refundable. Once fees are earned by Caratel the client may either terminate the Agreement and forfeit any deposit made or move forward and pay any additional sums when due.

With initiation of an Ongoing Relationship a minimum term of one (1) year begins. After the initial one (1) year the Client Agreement is cancelable with 30-days written notice.

All bills are due and payable upon receipt (typically upon presentation of written reports or other material). Bills not paid within 10 business days of when due are cause for termination of the Agreement and will accrue interest, compounded daily at 18% per annum from the date due, until paid. Should the client have a balance due, Caratel is not obligated to provide the client with continued service in any form or fashion.

Caratel uses the services of a third-party Custodian to *house* the client’s investment portfolio. Caratel may also recommend use the services of a third-party Platform Provider to provide access to the various strategies and/or portfolio managers to be used in the recommended portfolio. Any fees charged by the Custodian and/or Platform Provider are not fees to Caratel and are not included in the fees discussed below. Fees charged by the Platform Provider are based upon the value of the portfolio and the investment strategies used. All fees to be charged by the Platform Provider will be disclosed to the client in the Investment Proposal provided prior to implementing the recommendations made. Any fees

charged by other third parties (e.g., attorneys, accountants, insurance consultants) are not included in Caratel's fees or the Platform Provider's fees.

The client is free to purchase recommended investment products through other brokers or agents. However, those investment products may not be included as part of the portfolio monitored by Caratel unless other arrangements have been made and detailed in the Client Agreement.

Caratel maintains its fee structure, in part, by transmitting its various written reports electronically to clients. Doing so saves the time associated with printing, collating, and binding (as needed) as well as the time and expense associated with sending a physical report. Those clients who wish to receive their regular reports in a hard-copy, printed fashion will incur an annual \$120 charge (paid in advance) in addition to any other fees charged.

Caratel's Fee structure can be divided into two parts:

1. Initial Fees (Fees associated with completion of a Comprehensive Financial Plan, Financial Assessment, Portfolio Review and design, or any components as detailed in the Client Agreement)
2. Ongoing Relationship Fees

Caratel's total fee is an aggregate based on the services provided. The fee schedule associated with each type of service is as follows:

## Initial Fees

Once the scope of the assignment is determined Caratel quotes a flat (i.e., fixed) or hourly fee. If it is determined that the client's needs can be met through a standard style of financial planning services a flat-fee is typical. If an hourly rate is applicable, Caratel bills at \$350.00 per planner hour (in 10-minute increments) plus expenses. In an hourly arrangement, an approximate cost of services, based upon the estimated amount of time it will take to complete the assignment, will be provided as part of the Client Agreement.

In either case, the quoted fee is subject to the scope of the assignment not changing. Written authorization will be obtained from the client before exceeding the quoted fee.

Regardless of whether a fixed-fee or an hourly rate is quoted, an amount (subject to a minimum \$2,500.00) equal to 60% of the estimated fee will be deposited with Caratel upon signing the Client Agreement. The balance of the fee is due upon submission of the requisite report (or the first portion of a multi-part report) or performance of the contracted service. Payment will be made even though the

client may have additional questions or comments regarding the report or service performed. Caratel reserves the right to modify its deposit requirement at any time on a case-by-case basis.

Financial Planning Fees can be paid by cash (\$US), check or credit card. In the case of payment made by check there will be a \$50 additional charge, in addition to any bank charges incurred, as a result of a returned check. If paying by credit card (most credit cards are accepted) an additional fee equal to 2.50% will be added to Caratel's fee. Caratel reserves the right to modify its additional charge/fee requirement at any time on a case-by-case basis.

In some instances, the recommendations generated as a result of the planning process will lead to additional planning or other consulting services. These additional services are an additional cost to the planning services discussed (above).

## Ongoing Relationship Fee

The Ongoing Relationship Fee is billed quarterly in advance based upon a percentage of the prior quarter-end asset value of the portfolio(s) being monitored. The standard Ongoing Relationship Fee schedule is as follows:

Total Portfolio	Annual Fee
First \$500,000.00	1.200%
Next \$500,000.00	0.800%
Next \$500,000.00	0.600%.
Balance of Portfolio	0.400%

Caratel reserves the ability to modify its fee schedule on a case-by-case basis. Fees charged by third-party entities such as attorneys, accountants, insurance agents, custodians, or the Platform Provider are NOT fees charged by Caratel and may ultimately increase the client's cost associated with implementing and maintaining an Ongoing Relationship.

Ongoing Relationship Fees are typically debited directly from one or more of the client's investment accounts maintained at the Custodian.

The portion of the Ongoing Relationship Fee for accounts monitored by Caratel but maintained outside of the Custodian will be billed based upon this same schedule. However, as those “outside accounts” cannot be directly debited for the Ongoing Relationship Fee the actual percentage charged against the accounts maintained at the Custodian will be modified such that the total dollar amount is equivalent. This modified percentage will be detailed in an Addendum to the Client Agreement in a Fee Equivalency Worksheet. This calculation will be updated annually (approximately), or upon a significant inflow or outflow from the portfolio being monitored or upon the client’s request.

The Ongoing Relationship Fee will be initiated and begin to be charged as soon as the client seeks Caratel’s assistance in initiating implementation of any of the recommendations contained in the Financial Plan. This includes opening accounts at the Custodian and transferring assets into those accounts. Caratel reserves the right to modify the initiation of Ongoing Relationship Fees on a case-by-case basis.

Billing is based upon the account value at the beginning of each quarter using the number of days in the quarter as the numerator and the number of days in the calendar year as the denominator. Capital contributions made to the portfolio between quarters will be charged on a pro-rata basis.

Clients may terminate their relationship with Caratel at any time and receive a full pro-rata refund of any unearned fees. It can take up to 60-days to process a refund of fees due to termination of the Ongoing Relationship.

Other fees for special services may also be charged. Clients should consider all applicable fees.

## **Other Potential Fees or Expenses**

Caratel offers the ability for clients to receive the benefits of using individual Portfolio Managers, Strategists, or Private Banking Services to implement various Investment Strategies for their portfolio. There is a separate Platform Fee associated with these services. The amount of the Platform Fee depends on the specific strategy, strategies or services selected as well as the value of the aggregate portfolio. These fees are in addition to any Ongoing Relationship Fees charged by Caratel. Prior to implementing the recommended portfolio clients will receive an Investment Proposal that details all of the fees associated with the recommended portfolio (i.e., Caratel’s Ongoing Relationship plus Platform fees).

When using various Investment Strategies, the timing of trades in the client account(s) will primarily depend upon and be determined by the Portfolio Manager or Strategist and, generally, will not take into consideration how long a client may have held the position indicated by the Investment Strategy. This

may result in taxable income. Clients are strongly advised to consult with competent tax experts to determine the extent of any tax liability.

Caratel will retain the ability to replace any Portfolio Manager, Strategist, or Investment Strategy upon receiving the client's authorization to do so (As noted above, this authorization is typically provided via the Authorization Form available via the Resources link on Caratel's web site). Depending on the service, Portfolio Manager, Strategist or Investment Strategy selected, a client may separately receive a firm brochure (Part 2 of Form ADV) which includes information about their services, model portfolios, and investment strategies.

Regardless of the client's account size or any other factors, Caratel strongly recommends that the client continuously consult with a tax professional prior to and throughout the investing of assets.

Clients may cancel their Agreement with Caratel at any time. Cancellation needs to be in written form sent with a tracking number to ensure that it is delivered. Cancellation prior to the first anniversary of the Client Agreement may result in a charge equal to the calculated balance outstanding as if the Client Agreement had been maintained for the entire one-year term. Caratel reserves the right to bill the client after receipt of a notice of cancellation.

Caratel primarily uses mutual funds and exchange-traded funds (ETFs) to fulfill the investment needs of clients (although individual stock, bonds or other investment vehicles may be used at the discretion of the investment strategist or the direction of the client). Typically, only no-load mutual funds are recommended. If a load fund is being recommended it is only because clients of Caratel are able to invest in that particular fund without paying the load. This paragraph only relates to investments maintained at the custodian. Investments held at third party entities (i.e., company retirement or pension plans, annuities, etc.) monitored by Caratel may impose loads or other sales charges on their purchase or sale.

Caratel is not paid nor does it accept any fee to receive or provide referrals.

Caratel has no formal or informal soft dollar arrangements and does not use soft dollars to acquire any research services, whether proprietary services created and provided by a broker/dealer or third party research provided through a broker-dealer or related entity. However, as a result of having a relationship with various Custodians, Platform Providers, or other service providers Caratel may receive access to its institutional trading and operations services, research, and other benefits which are typically not available to retail investors. Please see Client Referral and Other Compensation section for additional information.



## **Item 6: Performance-Based Fees and Side-By-Side Management**

Caratel does not charge performance-based fees or participate in side-by-side management.

## **Item 7: Types of Clients**

Caratel provides financial planning and wealth management services primarily to individuals, families and small businesses. Caratel believes that everyone could benefit from working with a financial advisor. Therefore, there is no predefined type of client or asset level that we limit ourselves to (i.e., there is no stated account minimum). Generally, however, Caratel's clients will need to have achieved a level of income and/or net worth such that, relative to the fees charged by Caratel for the services provided, the client believes a positive economic value will be achieved.

Client relationships vary in scope and length of service but are generally long-term relationships

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

All of Caratel's services are rendered on a best efforts basis. **Financial planning and investing entails projections of the future based upon certain assumptions. The anticipated financial results are not guaranteed. There are risks inherent in planning and investing and the possibility for loss of principal does exist.**

The advisory, planning and monitoring work provided by Caratel is based on experience and judgment. All analyses and recommendations are based upon the information, documents, and risk guidelines that the client provides. Neither Caratel nor its employees, officers, directors, shareholders, or other advisors insure, guarantee, or make assurances concerning the results of recommendations or projections made.

**Although investments, Portfolio Managers and strategies are chosen and managed to achieve the anticipated results, these results and projected returns are not guaranteed. The actual results are likely to be either better or worse than that projected. Additionally, a loss of some, or all, of the client's principal is possible.**

The client is responsible for the final decisions made relating to the recommendations provided. The client understands that certain recommendations made in the Financial Plan are a component of an integrated process. By choosing to selectively implement recommendations it may have a detrimental impact on the overall Financial Plan.

Caratel uses several methods from numerous sources to research, investigate and monitor investments, the economy, and the markets. These methods include, but are not limited to, conference attendance, conference call participation, newsletters, professional journals, consumer publications, direct contact with investment decision makers, and subscription-based data & research services. The results and conclusions drawn from these processes are included in reports (including the Financial Plan) provided to clients. The information from these sources is updated on a regular basis. Therefore it is possible, even likely, that some of the data and interpretations included in the Financial Plan will have changed by the time an Ongoing Relationship is established.

Caratel develops an investment policy to identify the long-term asset allocation plan (i.e., the asset styles and their proportions within the portfolio) selected to control overall risk and meet the client's portfolio objectives.

The development of a client's investment policy generally consists of several steps including:

- The client's current portfolio is analyzed in aggregate based upon asset style and then further analyzed using various statistical measures.

- Based upon the client’s estimated level of risk acceptance, the assumed time horizon, and our discussions, specific asset style allocations will be analyzed and weighted for a recommended portfolio.
- Various combinations and weightings of acceptable investments and/or Investment Strategies will be analyzed to determine the most effective combination.
- Final selection of investments and/or Investment Strategies will be made to ensure an acceptable asset allocation mix plus acceptable historical results.

NOTE: The design of a client’s portfolio is based upon investments and/or strategies generally available to clients of Caratel with all accounts maintained at the custodian with which Caratel maintains a relationship. Accounts maintained, by choice or necessity, at third-party entities may not have access to the named investments and/or strategies. Upon implementation of the recommended portfolio an investment based upon a “best-fit” basis will be used in place of that recommended.

We cannot predict the future. The primary basis for the recommended portfolio's recommendations is analysis of the historical financial data indicating the relationship between various investment asset styles and strategies. Included within the first step of the portfolio analysis is the allocation of the client’s existing investments to appropriate asset styles. Once the asset styles and their corresponding weights in the portfolio are determined, the next step is to establish which individual investments or strategies to include within each recommended asset style. Individual investments or strategies are investigated, both quantitatively and qualitatively, to determine their appropriateness for inclusion within the portfolio.

**Although historical data is used to design the recommended portfolio, history *cannot* predict the future. The information presented is meant to provide the client with a “feel” of how the recommended portfolio performed in the past and how it might perform in the future.**

The goal in allocating client assets is to achieve the desired return at minimum risk. When appropriate, the allocation of specific investments or strategies among different account titles will be somewhat arbitrary in an attempt to provide each account with variation while minimizing transaction fees and taxes. By far, the *largest* consideration when allocating the client’s investment assets to different accounts or strategies is the requirement to maintain the integrity of the overall portfolio design. While monitoring the client’s portfolio we will not be concerned with the performance of individual accounts, but rather the aggregate portfolio. Therefore, at any point in time, an individual account or strategy could be performing substantially better or worse than the rest of the portfolio although the performance of the aggregate portfolio is within expected norms.

To a great extent the client's risk tolerance as estimated by Caratel has the primary impact in determining which asset styles and strategies to include in the portfolio.

Every investment entails risk. Risk reflects the potential loss of principal value of any particular investment and/or Investment Strategy at any point in time. A "safe" investment still contains risk and the loss of all or a portion of the value of the investment is a real possibility. There is no such thing as a risk-less or risk-free investment.

With that said, there are some generally accepted types of low risk investments. Cash in an FDIC insured bank account or a US Treasury Bill are typically considered low risk investments. Conversely, purchasing "junk" bonds or direct investments in real estate or commodities are generally considered to be higher risk investments. There are various methods to analyze risk but Caratel views risk as consisting of two broad types (each can be further subdivided):

**Systematic Risk**, sometimes called market risk, aggregate risk, or undiversifiable risk, is the risk associated with the market - however defined - in general.

**Unsystematic Risk** is the company-specific or industry-specific risk in a portfolio, which is uncorrelated with aggregate market returns.

The important concept is that unsystematic risk can be mitigated through diversification, and systematic risk cannot be diversified away.

Caratel believes that diversification of unsystematic risk can be accomplished by

- asset category and/or strategy (i.e., style of investing) diversification
- geographic diversification
- investment diversification

Caratel primarily uses both passively and actively managed mutual funds and Exchange Traded Funds to accomplish this diversification. Caratel does not believe in market timing.

Caratel does not analyze or recommend specific stock or bond investments for client portfolios. We do retain relationships with money managers with the requisite experience to make these recommendations. Clients may purchase or retain individual equities or bond investments as part of their aggregate portfolio. However, Caratel does not provide specific analysis or buy/sell recommendations for these individual investment holdings. We are able to share any available research on these investments with clients.

Mutual Funds and Exchange Traded Funds are a professionally managed type of collective investment that pools money from many investors and invests typically in investment securities (stocks, bonds, short-term money market instruments, other mutual funds, other securities, and/or commodities such as precious metals). In aggregate these individual securities constitute an investment strategy. The individual fund and/or strategy will have a manager or strategist that trades (buys and sells) the investments or in accordance with the investment's and/or strategy's objective (i.e., asset style). Most investments and/or strategies are managed by a group of professionals – who in many cases have a significant (if not all) of their own money invested in the investment and/or strategy - charged with ensuring the investment and/or strategy is managed appropriately. By diversifying among many different investments and/or strategies managed on an ongoing basis by a group of financial professionals, the risks noted above can be minimized but they cannot be eliminated.

Caratel may select mutual funds, Exchange Traded Funds (ETF's), investment strategies, and other investment solutions offered by a Platform Provider. These solutions are provided by a number of institutional investment Portfolio Strategists and recommended for inclusion in client portfolios based on the information, research, asset allocation methodology and investment strategies of these Portfolio Managers/Strategists. Caratel introduces clients to, and advises on the selection of these Portfolio Managers/Strategists who provide discretionary management of individual portfolios using a variety of different securities analysis methods, sources of information and investment strategies. Clients may receive a separate disclosure brochure from these Portfolio Managers/Strategists regarding their investment process.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events of their firm or certain management personnel which would be material to a prospective client's evaluation of the Advisor or the integrity of the Advisor's management of your investment portfolio.

Neither Caratel nor any of its employees, shareholders or officers have ever been subject to legal or disciplinary events material to a client's, or prospective client's evaluation of Caratel's advisor business or the integrity of Caratel's management.

## **Item 10: Other Financial Industry Activities and Affiliation**

Caratel uses outside third-party entities (such as accountants and attorneys) to complement the services provided by Caratel. Caratel's use of any particular entity or its products or services is based upon the quality of that product or service offered as well as the professionalism and expertise of the entity itself.

Should an entity or its product or service not meet the standards expected by Caratel, in its sole discretion, the product or service of that entity will no longer be used.

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

The client relationship and fee structure Caratel uses are designed to be as free from conflicts of interest as possible.

Caratel is a fee-only firm. That means that we do not sell any products; not securities, not insurance, not partnership interests, nothing. We are paid for our professional services only, and we are paid only by the client. Again, we feel that this compensation structure is as conflict-free as possible. However, no compensation arrangement can be made totally conflict free since we are being paid for providing our advice.

Clients are advised that, if they retain Caratel on a relationship basis (i.e. maintaining as Ongoing Relationship), a potential conflict of interest arises. Any advice that increases assets being monitored will increase the dollar cost of the Ongoing Relationship, and any advice that decreases assets being monitored will decrease the dollar cost of the Ongoing Relationship. The types of questions which could give rise to this conflict are questions such as: whether to pay off or pay down a home mortgage; whether to take a lump sum or annuity from a pension plan; and whether to invest or maintain investments in assets that are not included in Portfolio Monitoring. Caratel strives to maintain a high degree of objectivity to ensure that our advice is not based on these considerations. However, the potential for conflict of interests exists, and the client must be aware of that fact as they consider Caratel's recommendations.

Another potential conflict of interest may arise in situations where referrals are made to or from other professionals. Caratel does not pay for, nor does Caratel receive payment for referrals to or from other professionals. Nor is there any arrangement or quid pro quo for referrals to or from other professionals. Caratel makes referrals to other professionals based on our professional judgment as to whom best meets the client's needs, and we expect that referrals made to Caratel are made on the same basis. However, Caratel does favor those who see the world in much the same light as we do, and likewise, those same professionals are likely to favor Caratel, and the potential for a sense of reciprocal obligation exists. Clients who come to Caratel based on referrals or who Caratel refers to others ought to consider this in making their decisions about retaining these professional services.

Caratel and its officers and employees adhere to the Code of Ethics and Professional Responsibility of the CFP Board of Standards (<http://www.cfp.net/learn/codeofethics.asp>) as well as the Code of Ethics

endorsed by the National Association of Personal Financial Advisors (NAPFA) (<http://www.napfa.org/about/CodeofEthics.asp>) and the Financial Planning Association (FPA). These Codes are available for viewing and/or printing via the internet from the organization's respective web sites.

These Codes of Ethics sets forth a standard of business conduct required of all employees of Caratel. The Code mandates honest and ethical conduct at all times. These Codes of Ethics reflects Caratel's values of impeccable business and personal ethics, respect, teamwork, innovation, and excellence. Overviews are included below.

## CFP Board Code of Ethics/FPA Code of Ethics

The seven Principles that constitute the CFP Board Code of Ethics are:

1. **Integrity:** A CFP designee shall offer and provide professional services with integrity.
2. **Objectivity:** A CFP designee shall be objective in providing professional services to clients.
3. **Competence:** A CFP designee shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the designee is engaged.
4. **Fairness:** A CFP designee shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers and shall disclose conflicts(s) of interest(s) in providing such services.
5. **Confidentiality:** A CFP designee shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal process, to defend against charges of wrongdoing by the CFP designee or in connection with a civil dispute between the CFP designee and client.
6. **Professionalism:** A CFP designee's conduct in all matters shall reflect credit upon the profession.
7. **Diligence:** A CFP designee shall act diligently in providing professional services.

## NAPFA Code of Ethics

- **Objectivity:** NAPFA members strive to be as unbiased as possible in providing advice to clients and NAPFA members practice on a fee-only basis.

- **Confidentiality:** NAPFA members shall keep all client data private unless authorization is received from the client to share it. NAPFA members shall treat all documents with care and take care when disposing of them. Relations with clients shall be kept private.
- **Competence:** NAPFA members shall strive to maintain a high level of knowledge and ability. Members shall attain continuing education at least at the minimum level required by NAPFA. Members shall not provide advice in areas where they are not capable.
- **Fairness & Suitability:** Dealings and recommendation with clients will always be in the client's best interests. NAPFA members put their clients first.
- **Integrity & Honesty:** NAPFA members will endeavor to always take the high road and to be ever mindful of the potential for misunderstanding that can accrue in normal human interactions. NAPFA members will be diligent to keep actions and reactions so far above board that a thinking client, or other professional, would not doubt intentions. In all actions, NAPFA members should be mindful that in addition to serving our clients, we are about the business of building a profession and our actions should reflect this.
- **Regulatory Compliance:** NAPFA members will strive to maintain conformity with legal regulations.
- **Full Disclosure:** NAPFA members shall fully describe method of compensation and potential conflicts of interest to clients and also specify the total cost of investments.
- **Professionalism:** NAPFA members shall conduct themselves in a way that would be a credit to NAPFA at all times. NAPFA membership involves integrity, honest treatment of clients, and treating people with respect.

## Standards of Business Conduct

Caratel recognizes their fiduciary obligation to each client. This means that Caratel and its employees shall act in the client's best interest at all times, and the client's interest shall always be placed ahead of Caratel's interest. Investment opportunities must be offered first to clients before Caratel may act on them.

The Code of Ethics sets out ideals for ethical conduct premised on the fundamental principles of openness, integrity, honesty and trust. Caratel places the highest value on ethical conduct. Employees should live up not only to the letter of the Code, but also to the ideals of the Code.

Employees of Caratel shall comply with all applicable federal and state securities laws. The Code is designed to guard against violations of securities laws and to protect Caratel's reputation.



Employees are held personally accountable for learning, endorsing, promoting and applying this Code to their own conduct and work.

## **Conflicts of Interest**

Caratel and its employees are expected to avoid situations where their personal interests could conflict or appear to conflict with their fiduciary responsibilities to clients.

Employees will avoid any investment, interest, association or other relationship that interferes, might interfere, or might be thought to interfere, with the independent exercise of good judgment. Any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest must be disclosed.

## **Access to Information**

Caratel shall restrict access to material nonpublic information about client transactions. Employees shall not misuse client information. Access to client information shall be provided on a need-to-know basis.

With client permission, information may be shared with third-party brokers, accountants, attorneys, agents, custodians and fund transfer agents, as necessary, to support the objectives of the client (pertinent information will be shared as necessary without explicit client permission to open and maintain investment accounts).

Files may not be removed from Caratel's office except for meetings with clients outside of the office.

Employees shall safeguard client files while they are temporarily out of the office.

## **Personal Securities Trading**

Each employee shall provide quarterly reports of all personal securities transactions. The reports are due no later than 30 days after the close of the calendar quarter. Employees are excused from submitting transaction reports that would duplicate information contained in trade confirmations or account statements, provided Caratel has received those confirmations or statements not later than 30 days after the close of the calendar quarter in which the transaction takes place. Trade confirmations for employees are deemed received as they are maintained on Caratel's computer along with client files.

## Item 12: Brokerage Practices

Caratel requires that clients establish brokerage accounts with the custodian with which Caratel has a relationship to maintain custody of clients' assets and to affect trades for their accounts. The custodian was selected based upon their long-term experience and quality of services, reasonable fee structure, commitment to client services and best execution practices. Clients have complete control over their accounts. However, we note that neither the Custodian and/or Platform Provider are designed to deal with the individual client. As such, should the client go directly to the Custodian and/or Platform Provider delays processing the request may be encountered. Clients are strongly encouraged to process all requests through Caratel.

On occasion a client may have an account that cannot be moved to the custodian for contractual or regulatory reasons. For those specific accounts alone, Caratel will include them in its monitoring services. However, to do so, the client must provide the necessary information to obtain access to the retirement plan's web site.

The Custodian and/or Platform Provider provides Caratel with access to its institutional trading and operations services, which are typically not available to retail investors. These services generally are available to independent investment advisers at no charge to them so long as they maintain a minimum balance of client assets or pay a fee to the Custodian and/or Platform Provider. The Custodian and/or Platform Provider's services include research, brokerage, custody, access to mutual funds, portfolio managers and strategists, and other investments that may otherwise only be available to institutional investors or would require a significantly higher minimum initial investment. The Custodian and/or Platform Provider also makes available to Caratel other products and services that benefit Caratel but may not benefit its clients' accounts. Some of these other products and services assist Caratel in managing and administering clients' accounts. These include software and other technology that provide access to clients' account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple clients' accounts), provide research, pricing information and other market data, facilitate payment of Caratel's fees from its clients' accounts, and assist with back office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Caratel's accounts, including accounts not maintained at the Custodian and/or Platform Provider. The Custodian and/or Platform Provider may also provide Caratel with other services intended to help Caratel manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Custodian and/or Platform Provider may make available, arrange and/or pay for these types of services to Caratel by independent third parties. The Custodian and/or Platform

Provider may 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 fees to Caratel.

There could be a perceived conflict of interest in using the Custodian and/or Platform Provider as there are benefits received. However, any business relationship will have the potential for conflict of interest – real or perceived. Caratel’s code of ethics and fiduciary relationship with all clients serves to offset this potential conflict of interest. Should a client choose to not use the Custodian and/or Platform Provider with which Caratel maintains a relationship then Caratel will not monitor that portion of the portfolio.

Clients retain the ability to obtain information (via mail, telephone or the internet) and to initiate trades – including withdrawals – without contacting Caratel. However, neither the Custodian and/or Platform Provider are designed to deal with clients on an individual basis and it is likely that dealing with them directly will result in delays. It is strongly recommended that clients use Caratel to initiate any transactions in the client portfolio. Choosing to initiate transactions directly with the Custodian and/or Platform Provider may delay implementation of the action desired.

Caratel requires the client’s authorization before initiating any transactions. Caratel provides the client with either a hard-copy or electronic form of the required authorization.

All client transactions are completed independently of any other client transactions that may be taking place.

Best execution is a broker/dealer's obligation to seek the best terms reasonably available when executing a transaction on behalf of a client. While there is no one standard of what determines best execution, speed of transaction, execution price, price improvement opportunities and liquidity are typically listed by clients as the factors that are most important to them. Simply put, most clients want their orders filled in their entirety, as fast as reasonably possible, and at the price they were quoted or better.

There are numerous factors that can affect the terms of execution. The most common factors include, but are not limited to: current market conditions, volatility, size and type of order, the number of available primary markets for a particular security, the number of primary markets checked and likelihood of execution.

As a large and sophisticated order sender, the Custodian has the advantage of experience, and they put that knowledge to work for Caratel’s clients. The Custodian’s routing intelligence is combined with the speed of their proprietary routing technology. It dynamically sends orders to different market centers that seek to fill the client’s order quickly and at the best available price.

One goal behind seeking best execution is to get the client the best price on their trade. When routing the client's order, the Custodian seeks its execution at a price better than the National Best Bid or Offer (NBBO). That means executing the client's order below the best offer for buys or above the best bid for sells.

If the client's order executes at a price outside the NBBO and isn't justified, the Custodian may take action and request a price adjustment from the market center. Some prices outside the NBBO are justified due to market volatility or trade volume. That's why the Custodian consistently monitors trades to identify those executed outside the NBBO and look for opportunities to improve the price clients receive.

Where the client's order is executed can impact the price paid for a stock because the broker generally has a choice in where to route the client's order. The Custodian pursues the highest quality order execution with the various market centers. And because the Custodian is one of the largest order routers in the industry, they are able to analyze thousands of market orders and put their knowledge to work for the client every time a trade is placed.

### **Item 13: Review of Accounts**

Caratel reviews client accounts informally on an ongoing basis. Clients may contact Caratel with questions about their accounts at any time. Financial Plans are typically reviewed annually on or about the Plan's anniversary date. This annual review is contingent upon the client responding to the request for updated financial information. This request typically occurs in conjunction with the quarterly review closest in time to their Financial Plan anniversary.

Formal written portfolio Performance Reports are available shortly after each calendar quarter. The Performance Report reviews the performance of the client's portfolio and is presented with text and graphs.

Clients using the Platform Provider can request "on-demand" performance reports as desired for those accounts through the Platform Provider's website.. Formal reviews of client portfolios are completed on an approximate annual basis.

The client will also receive trade confirmations upon a sale or purchase directly from the custodian.

The Financial Plan is typically updated by Caratel at least once a year (on or about the anniversary date) based upon receipt of Updated information and/or a request from the client. The Updates are in written form and typically presented in a formal presentation (in-person or over the internet). These updates

will reflect any changes in the client's circumstances or risk tolerance as well as reflect the current and projected market environment.

Clients will receive periodic custodial account statements (not less frequently than quarterly) from their account Custodian.

## **Item 14: Client Referral and Other Compensation**

Caratel is a fee-only firm. That means that we do not sell any products; not securities, not insurance, not partnership interests, nothing. We are paid for our professional services only, and we are paid only by the client. Again, we feel that this compensation structure is as conflict-free as possible.

Caratel does not provide to or accept compensation from any person for client referrals. Referrals to other professionals such as CPAs and estate planning attorneys may be undertaken where appropriate to meet the client's needs.

## **Item 15: Custody**

Caratel does not retain custody of client funds or securities. The Custodian and/or Platform Provider of client investment accounts sends account statements no less often than quarterly directly to the client. Statements will be received directly from the Custodian and/or Platform Provider at least quarterly. Clients are reminded to carefully review those statements when received. Clients may also receive consolidated account statements (a single statement containing all of the clients' individual accounts) directly from Caratel. It is equally important that clients compare the account statements received from the Custodian and/or Platform Provider and Caratel for any discrepancies. Any discrepancies should immediately be brought to Caratel's attention to be corrected.

In most cases, any discrepancies are small and likely the result of rounding in share values or number of shares own.

## **Item 16: Investment Discretion**

Caratel requires clients to provide trading authorization on investment account(s) monitored by Caratel. This discretionary authority is detailed within Caratel's Client Agreement as well as on the forms used to open the client's various portfolio investment accounts.

Although termed a "discretionary" account Caratel will not make any trades on a client's account(s) or change Portfolio Managers without first obtaining their prior authorization. Individual investment

transactions on accounts using Portfolio Managers and/or strategists will be initiated by the Portfolio Managers and/or strategists concerned as they deem appropriate in their sole discretion.

Authorization to Caratel can be transmitted verbally but MUST be followed up with written confirmation to Caratel via US Mail, electronic mail (i.e., E-mail via the Client Access page of Caratel's web site) or facsimile (i.e., fax) within 5 days. Clients authorize Caratel to rely on the authenticity of any electronic mail received (including any electronic signatures). The form of Authorization is available on the Forms page of Caratel's web site.

### **Item 17: Voting Client Securities**

Notwithstanding Caratel's discretionary authority to make investment decisions on the client's behalf, Caratel will not exercise proxy voting authority over client securities. The obligation to vote client proxies shall at all times rest with the client. Clients shall in no way be precluded from contacting Caratel for advice or information about a particular proxy vote. However, Caratel shall not be deemed to have proxy voting authority solely as a result of the Ongoing Relationship or the investment.

If an account is invested via the Platform Provider, the client will designate the applicable Portfolio Manager as their agent to vote proxies on securities in their account. Clients acknowledges that as a result of this voting designation they are also designating the Portfolio Manager as their agent to receive proxies, proxy solicitations and other materials provided in connection with the above actions relating to the assets in their accounts. However, the client retains the right to vote proxies for investment that do not involve the Platform Provider.

Caratel will not advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

Should Caratel receive proxy information or notice of legal proceedings as noted above, then the assumption is that this is a duplicate of what the client also received. Caratel will not take any further action with respect to these notices.

### **Item 18: Financial Information**

Caratel does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to the client. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than

\$1,200 in fees six or more months in advance nor have we ever filed a bankruptcy petition at any time. Because we meet these conditions no further corporate financial information is required.

## **Item 19: Requirements for State Registered Advisers**

Barry G. Katz, MBA, CFP is President and sole shareholder of Caratel. Mr. Katz is the only person providing financial advice to the client. As indicated below, Mr. Katz has the requisite training, experience, and knowledge to provide this advice.

Mr. Katz does not operate or participate in any other business activity other than operating Caratel. His education and business background is included below.

## **Item 20: Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure. We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing our relationship, we may share some information with our service providers, such as custodians, broker-dealers, accountants, consultants, and others. We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We do not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law. You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. A copy of this notice is also available on Caratel's web site. Contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. We work closely with the Custodian to ensure correction action taken is prompt and appropriate.

## **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you



## Educational Background (post High School)

- Syracuse University, B.S. (1983)
- Florida Atlantic University, MBA (1992)
- College for Financial Planning, CFP (1993)

## Business Background

Company	Position	Title	Beginning Date	Ending Date
Caratel Financial Services, Inc.; Sunrise, FL	Financial Advisor	President	10/1991	Present
Barnett Banks, Inc., Miami, FL	Commercial Real Estate Workout Officer	Vice President	01/1992	10/1992
Barnet Bank of South Florida, N.A., Fort Lauderdale, FL	Commercial Real Estate Lending Officer	Vice President	03/1989	01/1992
The Fuji Bank, Ltd, New York, NY	Commercial Real Estate Lending Officer	Vice President	11/1986	03/1989
Continental Illinois Nat'l Bank & Trust Company, Inc, Chicago, IL	Commercial Real Estate Lending Officer	Asst. Vice President	06/1983	11/1986

## Other

Caratel is not compensated for advisory services with performance-based fees, nor have we been involved with an award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, or an award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- a) an investment or an investment-related business or activity;
- b) fraud, false statement(s), or omissions;
- c) theft, embezzlement, or other wrongful taking of property;
- d) bribery, forgery, counterfeiting, or extortion; or
- e) dishonest, unfair, or unethical practices.

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