

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023078794802**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Carter, Terry & Company, Inc. (Respondent)
Member Firm
CRD No. 16365

Pursuant to FINRA Rule 9216, Respondent Carter, Terry & Company, Inc. submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Carter Terry has been a FINRA member firm since July 1985. The firm is headquartered in Atlanta and has approximately 35 registered representatives and two branch offices. The firm is a full-service broker-dealer and primarily serves retail customers.¹

OVERVIEW

Since June 30, 2020, Carter Terry has failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with the Care Obligation of Rule 15l-1 of the Securities Exchange Act of 1934 (Reg BI) with respect to Unit Investment Trust recommendations. Carter Terry therefore violated FINRA Rules 3110 and 2010. Moreover, during the same period, Carter Terry has failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with the Care Obligation of Reg BI with respect to the same recommendations. Carter Terry therefore violated Reg BI and Rule 2010 by virtue of failing to comply with Reg BI's Compliance Obligation. For these violations, the firm is censured, fined \$75,000, ordered to pay \$176,590.57 in restitution, and ordered to comply with an undertaking.

¹ For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

A. Unit Investment Trusts

A Unit Investment Trust (UIT) is an SEC-registered investment company that offers investors shares or “units” in a fixed portfolio of securities in a one-time public offering. A UIT terminates on a specified maturity date, often after 15 or 24 months, at which point the underlying securities are sold and the resulting proceeds are paid to the investors. Generally, a UIT’s portfolio is not actively managed between the trust’s inception and its maturity date.

UIT sponsors typically offer UIT product lines in successive “series,” with the offering periods for new series usually coinciding with the maturity date of prior series. Successive series of UITs often have the same or similar investment objectives and investment strategies as the prior series, even if the portfolio of securities held by the UIT changes from series to series.

UITs impose a variety of upfront charges. A typical UIT contains three separate charges relating to its purchase: (1) a deferred sales charge, which generally ranges from 1.35% to 2.30% of the offering price (depending on the sponsor and the UIT timespan); (2) a creation and development fee (C&D fee), which is 0.5% of the offering price and paid to the sponsor; and (3) an “organization cost,” which is typically between .25% and .75% of the offering price and paid to the sponsor.² Customers typically do not receive discounts for “rolling over” proceeds from the sale of a UIT to fund the purchase of a new UIT.

A registered representative who recommends the sale of a customer’s UIT before its maturity date (an “early redemption”) causes the customer to forgo part of the benefit for which the customer paid upfront and raises the possibility that a customer has not held the UIT for a long enough period of time to recoup the costs associated with the front-end sales charge. Moreover, when a registered representative uses the sale proceeds to purchase a new UIT (or another product with a high upfront sales charge), the customer incurs greater charges than if the customer held the UIT until maturity. For example, a customer who purchased a 15-month UIT and held it until maturity would pay an upfront charge of about 2.15%. A customer who bought and sold three UITs during that 15-month period would, by contrast, pay sales charges of 6.45% or more. These higher sales charges are particularly difficult to justify when the new UIT is in the same series as the UIT that was sold.

² The C&D fee and organization cost are generally charged during months three through six of the UIT’s term. After those charges are paid, typically by month six, there are no sales charges applied for the life of the UIT. In addition to these charges, most UITs charge annual operating expenses that are paid to the sponsor out of the assets of the UIT.

B. Carter Terry failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with Reg BI with respect to UIT recommendations.

As of June 30, 2020, broker-dealers and their associated persons are required to comply with Reg BI under the Securities Exchange Act of 1934. Rule 15l-1(a)(1) of Reg BI requires a broker, dealer, or a natural person associated with a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, to act in the best interest of that retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or associated person ahead of the interest of the retail customer. Reg BI's Compliance Obligation, set forth in Exchange Act Rule 15l-1(a)(2)(iv), requires broker-dealers to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI. Reg BI's Adopting Release provides that broker-dealers should consider the nature of their firm's operations and how to design such policies and procedures to prevent violations from occurring, detect violations that have occurred, and to correct promptly any violations that have occurred.³

Additionally, Reg BI's Care Obligation, set forth in Exchange Act Rule 15l-1(a)(2)(ii), requires broker-dealers and their associated persons to exercise reasonable diligence, care, and skill to, among other things, understand the potential risks, rewards, and costs associated with a recommendation. The Adopting Release provides that consideration of reasonably available alternatives offered by the broker-dealer is an inherent aspect of making a "best interest" recommendation.⁴

FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

A violation of FINRA Rule 3110 or Reg BI is also a violation of FINRA Rule 2010, which requires members to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

Since June 30, 2020, Carter Terry has effected the purchase of over \$61 million in UITs. However, the firm has failed to establish, maintain, and enforce written policies and procedures, including WSPs, reasonably designed to achieve compliance with Reg BI with respect to the UIT recommendations the firm's registered representatives were

³ Regulation Best Interest: The Broker-Dealer Standard of Conduct, Exchange Act Release No. 86031, 84 FR 33318 at 33397 (July 12, 2019).

⁴ *Id.* at 33381 (July 12, 2019).

making to retail customers, particularly with respect to consideration of costs. Until April 30, 2023, the firm had no written policies or procedures addressing UIT recommendations, including early redemption recommendations. In May 2023, the firm added a section to its WSPs addressing UITs and the need for additional review of early redemption recommendations, but the written policies and procedures still do not require consideration of the costs associated with such a recommendation, nor do they provide criteria for supervisors to determine whether an early redemption of a UIT is in a customer's best interest.

Additionally, throughout the relevant period, Carter Terry's system for supervising UIT recommendations has not been reasonably designed. Until April 30, 2023, the firm flagged UIT transactions for supervisory review based solely on an automated report that identified purchases of UITs following sales or liquidations of UITs, but this report did not identify early redemptions and reviewers were not directed to manually identify early redemptions. Reviewers therefore had no basis to identify early redemption recommendations, even though these recommendations may have caused customers to pay unnecessary sales charges. Starting in May 2023, the firm began requiring that representatives submit a sales/exchange form for each early UIT redemption, but the firm did not implement a process for ensuring that representatives actually do so, and representatives failed to submit such forms for over 100 early redemptions. For forms that were submitted, the firm generally accepted the representatives' purported rationales. During the relevant period, the firm approved every early UIT redemption that received supervisory review.

As a result of these supervisory failures, the firm failed to reasonably supervise a representative who engaged in a pattern of recommendations that customers sell UITs significantly before their maturity dates and then, in almost every instance, roll the proceeds into another UIT, which included instances when the proceeds were invested in the next series of the same UIT.⁵ Collectively, these recommendations caused customers to pay \$176,590.57 in costs and fees during the relevant period that they would not have incurred had they held the UITs until their maturity dates.

Therefore, Carter Terry violated FINRA Rules 3110 and 2010, and Exchange Act Rule 15l-1(a)(1) and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure;
- a \$75,000 fine;
- restitution of \$176,590.57; and

⁵ FINRA has barred this representative from association with any FINRA member in all capacities for failing to respond to a request for testimony that was issued pursuant to FINRA Rule 8210.

- an undertaking requiring certification of the firm's supervisory system, as more fully set forth below.

Within 90 days of the date of the notice of acceptance of this AWC, a member of Carter Terry's senior management who is a registered principal of the firm shall certify in writing that as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Reg BI regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Lisa Lightbody, Principal Counsel, FINRA, 200 Liberty Street, Suite 1200, New York, NY 10281, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$176,590.57.

A registered principal on behalf of Respondent shall submit satisfactory proof of payment of restitution (separately specifying the date and amount of each paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of Respondent. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 180 days after the date of the notice of acceptance of the AWC.

The restitution amount to be paid to each Eligible Customer shall be treated by the Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay all Eligible Customers within 180 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanctions in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

December 18, 2025

Date

TIMOTHY TERRY

Carter, Terry & Company, Inc.
Respondent

Print Name: TIMOTHY TERRY

Title: President

Reviewed by:

Scott Holcomb

Scott Holcomb
Counsel for Respondent
Holcomb & Ward, LLP
3455 Peachtree Road NE, Suite 500
Atlanta, Georgia 30326

Accepted by FINRA:

December 24, 2025

Date

Signed on behalf of the
Director of ODA, by delegated authority

Lisa Lightbody

Lisa Lightbody
Principal Counsel
FINRA
Department of Enforcement
Brookfield Place
200 Liberty Street
Suite 1200
New York, NY 10281

SCHEDULE A - CARTER TERRY

Customer Num	Restitution
Customer_01	\$ 1,815.79
Customer_02	\$ 1,432.63
Customer_03	\$ 9,626.90
Customer_04	\$ 1,098.10
Customer_05	\$ 4,155.32
Customer_06	\$ 10,103.13
Customer_07	\$ 6,974.53
Customer_08	\$ 9,917.89
Customer_09	\$ 5,983.06
Customer_10	\$ 2,666.63
Customer_11	\$ 7,175.06
Customer_12	\$ 1,389.95
Customer_13	\$ 12,250.69
Customer_14	\$ 1,878.43
Customer_15	\$ 3,913.26
Customer_16	\$ 8,799.20
Customer_17	\$ 1,375.72
Customer_18	\$ 1,550.49
Customer_19	\$ 1,758.85
Customer_20	\$ 8,665.66
Customer_21	\$ 1,488.02
Customer_22	\$ 2,410.97
Customer_23	\$ 8,623.73
Customer_24	\$ 2,618.27
Customer_25	\$ 3,008.99
Customer_26	\$ 1,342.66
Customer_27	\$ 8,615.72
Customer_28	\$ 3,336.40
Customer_29	\$ 9,261.52
Customer_30	\$ 4,938.23
Customer_31	\$ 1,346.91
Customer_32	\$ 3,036.72
Customer_33	\$ 2,575.80
Customer_34	\$ 4,717.38
Customer_35	\$ 1,088.34
Customer_36	\$ 2,187.03
Customer_37	\$ 5,835.73
Customer_38	\$ 3,292.15
Customer_39	\$ 4,334.71