

## LAW OFFICE OF JOHN L. CALTON

PO Box 5667  
245 Auburn East Lane  
Coralville, Iowa 52241

(319) 358-9410

March 30, 2012

This Brochure provides information about the qualifications and business practices of the Law Office of John L. Calton. If you have any questions about the contents of this Brochure, you may contact us at (319) 358-9410, or write to the Law Office of John L. Calton at PO Box 5667, Coralville, IA 52241, to obtain answers and additional information. The Law Office of John L. Calton is a registered investment adviser with the State of Iowa. Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the State of Iowa or the United States Securities and Exchange Commission (SEC).

Additional information about the Law Office of John L. Calton is available on the SEC's website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

## Item 2 – Material Changes

This Item 2 provides only the “material changes” in the Brochure of the Law Office of John L. Calton since the last annual update to the Brochure. The last annual update occurred on March 31, 2011.

The only material change in this Brochure is the change in the registration of the Law Office of John L. Calton from the Securities and Exchange Commission to the State of Iowa. This change results as a result of the Dodd-Frank legislation passed by Congress.

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#### Item 4 – Advisory Business

- A The Law Office of John L. Calton (“JLC” or “Firm”) is registered as an investment adviser under the laws of the State of Iowa. Our principal place of business is located in Coralville, Iowa. John L. Calton is the Principal Owner of his advisory business. John L. Calton has been doing business as a registered investment adviser since 1986.
- B, C Our Firm has the policy of having each Client select the broker/dealer at which investment assets will be held and at which broker/dealer the securities’ purchases, sales and other transaction shall be executed. We believe that our Clients should maintain their individual choice to best tailor our relationship to meet their goals and needs in the best way possible.
- D We do not participate in any wrap-fee programs.
- E We manage approximately \$75,000,000 of Client assets on a discretionary basis and approximately \$1,000,000 solely on a non-discretionary adviser basis. These amounts were calculated as of December 31, 2011.

## Item 5 – Fees and Compensation

- A We are a fee-only advisory firm, meaning we are compensated only by our Clients and do not receive compensation or commissions from any other parties. We believe this method of compensation minimizes conflicts of interest.

In consideration of our services, it is our policy to charge fair and competitive advisory fees. The fees for services provided by JLC are normally based upon a percentage of the market value of assets determined at the end of each quarter. The fee shall be negotiable up to a maximum of 2% annualized of the total market value of the assets at the end of each quarter for which services are provided. No fees are charged on capital gains or capital appreciation of funds.

We may also provide investment consulting services for a fixed fee or at rates from \$75 to \$300 per hour. The amount of the fixed fee and hourly rate is disclosed and agreed to by each Client and is based on the complexity and amount of time that will need to be devoted to the project.

For purposes of determining the market value of securities at the end of each quarter in order to calculate fees, JLC relies on the pricing of the Client's securities by the independent third-party broker/custodian (selected by the Client) to determine the market value at the close of each quarter. The fee will increase or decrease in proportion to the assets managed. Any margin loans made by a Client shall be valued at the then remaining unpaid principal balance of the loan. Also, any other loan made by a Client to a third party that involves oversight or assistance by JLC shall be valued at the then remaining unpaid principal balance of the loan. Annuities held by Clients will be valued at the issuing company's valuation and life insurance valued at the then cash value of the policy.

If pricing for a specific or illiquid investment or other investments is not available from the respective institution, JLC will attempt to secure documented pricing information from an independent source. If no market value pricing is available, then JLC will attempt to value and price in good faith the investment's fair market value. Any error in fee calculation that results in an excess fee being collected shall be corrected and the Client shall be reimbursed for any improperly collected fee at once.

- B. Unless otherwise directed by a Client, it is our policy to send invoices to the Client to be paid by the Client directly, rather than directly debiting Client accounts for amounts due. We believe such a billing process provides better disclosure of our fees and provides better accountability by us to the respective Client.

Notwithstanding the above, our fees may be paid directly to us from the account by the custodian holding the Client's assets upon submission of a fee request. JLC will provide the Client in these instances a copy of the invoice. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. Clients have the responsibility for verifying the accuracy of fee calculations. Fees may only be debited from a Client's account when the Client has authorized in writing this method of payment by a broker/custodian prior to the execution of any such payment transaction.

- C Clients may be required to pay brokerage commissions, stock transfer fees, and other similar charges incurred in connection with transactions for their account. These fees are paid out of the assets in a Client's account held by the independent third-party broker/custodian (selected by the Client) and are in addition to the investment management fees paid to us.

In addition to the fees set-forth above, we do retain the right, with disclosure and Client agreement, to charge for extraordinary services in addition to our regular fee. Such services include, but are not limited to, preparation of documents, review of documents, meetings with third parties, negotiations with third parties on behalf of Clients, 529 account consulting, ERISA and Pension Plan consulting, ERISA Plan Administration including ERISA calculations, preparation of Form 5500, SPDs and SARs. Notwithstanding the above, we do not serve as an Investment Adviser to a pension plan or a "qualified plan" under ERISA.

- D Our Clients may terminate their relationship at any time without any termination penalty or fee or any other such monetary charge. No Client will or may be required to forfeit any legal right or remedy available under the law without proper disclosure and voluntary agreement. The SEC rules require that all unearned or prepaid fees must be refunded upon a termination of a relationship. JLC maintains a policy of not collecting fees in advance.
- E We are a fee-only investment advisory firm paid on a percentage of Client assets managed, or by hourly or flat fees. We accept no commissions, referral fees, soft dollars, or other hidden costs often associated with the money management industry.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not charge any performance-based fees for our services. Accordingly, this item is not applicable to our firm.

### Item 7 – Types of Clients

We provide investment advice to the following types of Clients:

- Individuals and Families
- Trusts, Estates or Charitable Organizations
- Corporations, Limited Liability entities, and other business organizations

JLC does not require a minimum dollar amount of assets in order to become a Client.



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

A We offer advice on investments primarily including (but not limited to) the following:

Equity securities such as:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign Issuers

Corporate debt securities (other than commercial paper)

Commercial Paper

Certificates of deposit

Municipal securities

Investment company securities:

- Variable Life Insurance
- Variable Annuities
- Mutual fund shares

United States government securities

Interest in Partnership Investing in:

- Real Estate (REITS)
- Personal property
- General Real Estate Investments

Our primary investment strategies used to implement investment advice given to Clients include long-term (securities held at least one year) and short-term (securities sold within a year) purchases.

We research and analyze securities using fundamental and cyclical methods. The main sources of information we rely upon when researching and analyzing securities include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, filings with the Securities and Exchange Commission; and company press releases

B We will use our best judgment and good faith efforts in rendering services to our Clients. However, we cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by us will be profitable. Clients assume all market risk involved in the investment of account assets under the Investment Advisory

Relationship and understand that investment decisions made for Clients and accounts are subject to various market, currency, economic, political and business risks.

Nothing in this Agreement shall relieve John L. Calton from any responsibility or liability he may have under the Advisers Act of 1940, laws of the State of Iowa or other applicable federal or state law.

Except as may otherwise be provided, we are not liable to Clients for:

- any loss that a Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use;
- any loss arising from our adherence to a Client's instructions; or
- any act or failure to act by a custodian of a Client's account.

It is the responsibility of each Client to give us complete information and to notify us of any changes in financial circumstances, goals or family situation.

- C While all investing involves risks of loss, our advisory services generally recommend a broad and diversified use of equities, mutual fund, funds or funds, fixed income and private equity unless directed otherwise by Clients or if the nature of the Client or account does not lend itself to diversification.

### Item 9 – Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. We have no information to disclose applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

John L. Calton is an active and practicing member of the Iowa State Bar Association who also provides legal services separate and apart from investment advisory services. Certain Clients of the investment advisory practice are also Clients of the law practice. Any legal services are performed pursuant to a separate legal services agreement with compensation for those legal services flowing to Mr. Calton.

*Please note that the United States Securities and Exchange Commission (SEC) often does not recognize the attorney Client privilege which generally governs attorney Client relationships, including but not limited to the presumed privilege of confidentiality covering all Client information provided to an attorney. While JLC strongly disagrees with the SEC's interpretation of the attorney Client privilege, we want all of our Clients to be aware of it.*

**Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading**

**A**     CODE OF ETHICS

John L. Calton has adopted a Code of Ethics as required by the SEC and the State of Iowa under Rule 204A-1. We have a fiduciary duty to Clients, and in our conduct we will place the interests of our Clients before our own interests. Our Code of Ethics applies to all of our employees. Personal transactions and asset holdings of all Firm employees are monitored to ensure compliance with the Firm's policies and all securities laws. A complete copy of our Code of Ethics will be provided upon request.

**B-D**   PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

As a result of our professional services, a potential conflict of interest may arise if we purchases or sell securities for our own account that are the same as the ones purchased, sold or held by Client accounts. For that reason, we have initiated policies that prohibit the purchase or sale of an investment asset, in any situation that such purchase or sale would adversely impact a Client. We monitor all personal trades to ensure compliance with this policy. All employees of the Firm must comply with the policy and must comply and act in accordance with all Federal and State laws.

## Item 12 – Brokerage Practices

- A Since our Clients determine and select their broker, Clients should be aware that JLC may not be in a position to negotiate commissions, obtain volume discounts or the “best execution.” Clients can obtain the same brokerage and custodial services at many different institutions and such other institutions may offer a higher or lower quality of services or higher or lower fees. A disparity in commission amounts may exist between the various Clients of the Firm. We have not aggregated purchases and sales of non fixed income assets but do at times have the participation of multiple Client accounts in the purchase of fixed income assets.

### Item 13 – Review of Accounts

- A John L. Calton regularly reviews the status of holdings in Client accounts. An overall assessment is performed on at least an annual basis. All reviews are based on a Clients' stated investment objectives.
- B More frequent reviews may be triggered by a change in a Clients investment guidelines; tax considerations; large deposits or withdrawals; large security sales or purchases; loss of confidence in corporate management objectives; and, changes in the macro-economic climate.
- C Clients also receive account statements from the custodian of their accounts in most instances monthly and in other cases at least quarterly. Clients can monitor and verify monthly that the Client's account is invested as the Client desires.

**Item 14 – Client Referrals and Other Compensation**

We have no arrangements, written or oral, in which we compensate others or are compensated for Client referrals.



#### **Item 15 – Custody**

We do not have custody of assets in Client accounts and shall have no liability to Clients for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. Clients understand that SIPC provides only limited protection for the loss of property held by a broker-dealer.

#### **Item 16 – Investment Discretion**

Except as otherwise instructed, Clients grant us ongoing and continuous discretionary authority to execute investment recommendations in accordance with the Investment Objectives, Risk Tolerance and the Suitability of the investment portfolio for each Client, without the Client's prior approval of each specific transaction. Under this discretionary authority, Clients allow us to purchase and sell securities and instruments in their Account, arrange for delivery and payment in connection with the foregoing, and act on behalf of the Client in all matters necessary or incidental to the handling of the Account, including monitoring certain assets.

In some limited circumstances, Clients may limit our authority to non-discretionary status requiring us to obtain their approval for each specific transaction prior to executing investment recommendations. All transactions in a Client's account are made in accordance with the directions and preferences provided to us by each Client. Clients execute instructions regarding our trading authority as required by each custodian holding their account and these instructions remain on file with the custodian until such time as the account is terminated or the instructions are revoked by the Client.

**Item 17 – Voting Client Securities**

Unless specifically directed otherwise in writing by the Client, we are authorized to receive informational copies of proxy statements and annual reports, but we do not vote proxies on issues held in the account.

**Item 18 – Financial Information**

- A** Under no circumstances will we solicit or require prepayment of more than \$500.00, six months or more in advance, from any Client for advisory services.
- B** As noted in Item 15 above, we do not have custody of Client's funds or securities.
- C** We have no financial commitments which would impair our ability to meet the contractual and fiduciary commitments to our Clients.

**Item 19 - Requirements for State Registered Advisers**

We have no additional information to disclose that is material to this Item beyond the information previously provided in this Brochure.

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March 31, 2011

## BROCHURE SUPPLEMENT OF JOHN L CALTON

This Brochure Supplement provides information about John L. Calton that supplements the Law Office of John L. Calton Brochure. You should have received a copy of that Brochure. Please contact John L. Calton if you did not receive the Law Office of John L. Calton Brochure or if you have any question about the contents of this Supplement.

Additional information about John L. Calton is available on the SEC's website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

## **Item 2 – Education Background and Business Experience**

Full Legal Name: John Lowell Calton

Born: 1943

### Post-Secondary Education

Cornell College, Mt. Vernon, IA; BS, Mathematics

University of Chicago Law School, Chicago, IL; Doctor of Law

### Business Experience For Last Five Years

Registered Investment Adviser since the mid 1980s

Attorney licensed in the State of Iowa since 1967

## **Item 3 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. We have no information to disclose applicable to this Item.

## **Item 4 – Other Business Activities**

John L. Calton is an active and practicing member of the Iowa State Bar Association who also provides legal services separate and apart from investment advisory services. Certain Clients of the investment advisory practice are also Clients of the law practice. Any legal services are performed pursuant to a separate legal services agreement with compensation for those legal services flowing to Mr. Calton.

## **Item 5 – Additional Compensation**

In addition to the fees realized as an Investment Adviser, we do retain the right, with disclosure and Client agreement, to charge for extraordinary services in addition to our regular fee. Such services include, but are not limited to, preparation of documents, review of documents, meetings with third parties, negotiations with third parties on behalf of Clients, 529 account consulting, ERISA and Pension Plan consulting, ERISA Plan Administration including ERISA calculations, preparation of Form 5500, SPDs and SARs. Notwithstanding the above, we do not serve as an Investment Adviser to a pension plan or a “qualified plan” under ERISA. We are a fee-only investment advisory firm paid on a percentage of Client assets managed, or by hourly or flat fees. We accept no commissions, referral fees, soft dollars, or other hidden costs often associated with the money management industry.

## **Item 6 – Supervision**

John L. Calton is the sole attorney and supervisory individual in the Law Office of John L. Calton and is responsible for supervision of the activities of the firm.

## **Item 7 – Requirements for State-Registered Advisers**

We have no additional information to provide that is material to this Item beyond that provided in the Brochure of the Law Office of John L. Calton and this Supplement.