

# **Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure**

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This brochure provides information about the qualifications and business practices of Calton & Associates, Inc. d/b/a IEP Financial. If you have any questions about the contents of this brochure, please contact us at 813-264-0440. 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 Calton & Associates, Inc. d/b/a IEP Financial is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Calton & Associates, Inc. d/b/a IEP Financial is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## Item 4 Services, Fees, and Compensation

### Description of Services

Calton & Associates, Inc. d/b/a IEP Financial is a registered investment adviser primarily based in Tampa, Florida. We are organized as a corporation under the laws of the State of Florida. We have been providing investment advisory services since 1989. Dwayne K. Calton is our firm's principal owner.

As used in this wrap fee program brochure, the words "we", "our" and "us" refer to Calton & Associates, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

We are the program sponsor to a Wrap Fee Program (the "Program") whereby client accounts are managed for a calculated fee, subject to a fee minimum, that includes both management services and securities transaction/commission costs. The broker-dealer/custodian that used for the execution of securities transactions will depend on the type of account and your specific engagement with our firm. The Program is offered to prospective and existing advisory clients and is designed to make asset management services available to you for a convenient single "wrap fee". Depending upon the number of transactions executed in your account, the overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the Program.

Prior to becoming a client under the Program, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, and the fees to be paid.

Under the Program, we on either a discretionary or non-discretionary basis and will reallocate your account as needed. We will sometime use third party tools and services for which we will incur a charge. Unless otherwise agreed to in writing separately, those fees will be absorbed by our firm in their entirety.

If you grant our firm discretionary authority to manage your account, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment management agreement you sign with our firm, a power of attorney, and/or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines, in writing, which will be deemed received by our firm upon being countersigned by our firm. You may change/amend these limitations. Such amendments shall be submitted, in writing, which will be deemed received by our firm upon being countersigned by our firm. We will not wire or transfer funds to third parties without your prior written approval. If you enter into non-discretionary arrangements with our firm, will obtain your verbal approval prior to executing any transactions on behalf of your account.

### The Program Fee

The Program Fee will vary depending on the particular broker-dealer/custodian used. In some cases, clients will pay only one fee that includes the management fee and transaction costs whereas in other cases, clients will pay transaction costs up to a certain amount and any transactions exceeding that amount would be absorbed by our firm. You will receive a separate disclosure of fees specific to your particular arrangement with our firm.

Transaction costs do not include custodian-related charges for mailgrams, extensions, debit interest, and other administrative fees which are additional charges you may incur. Portfolio managers responsible for managing your account will receive a portion of the advisory fee you pay to our firm, which will depend on the specific portfolio manager.

Our annual asset management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous calendar quarter. If the investment management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

### **Termination of Advisory Relationship**

Either party may terminate the agreement upon 30 days' written notice to the other party. The management fee will be pro-rated for the billing period in which you give cancellation notice. We will refund any unearned fee to you.

### **Wrap Fee Program Disclosures**

- You should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately and/or from other advisers or broker/dealers.
- Our firm and Associated Persons receive compensation as a result of your participation in the wrap-fee program. This compensation may be more than the amount our firm or our Associated Persons would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and our Associated Persons may have a financial incentive to recommend the Program.
- The Program may create a potential conflict of interest between you and our firm. You should be aware that we may have a disincentive to purchase or sell securities in your account because we pay the transaction costs associated with trades directed to the custodian.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

## **Item 5 Account Requirements and Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

To open and maintain a portfolio management account, we generally require that you represent and warrant that either (a) the value of your account initially is at least \$100,000, or (b) your net worth, which may include assets held jointly with your spouse, is more than \$500,000. At our discretion, we may accept clients with smaller accounts and/or lower net worth.

## **Item 6 Portfolio Manager Selection and Evaluation**

Should we choose to utilize one or more Portfolio Managers through the course of serving you, the evaluation of each such portfolio manager will be based on data and information from several sources, including the manager, and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. We will also review the manager's Form ADV Part 2 in our evaluation process. In some cases, we may act as portfolio manager.

### **Description of Non-Wrap Advisory Services and Fees**

Calton & Associates, Inc. is a registered investment adviser primarily based in Tampa, Florida. We are organized as a corporation under the laws of the State of Florida. We have been providing investment advisory services since 1989. Dwayne K. Calton is our firm's principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Portfolio Management Services
  - Separate Account Management Platforms
  - Separate Account Management
- Financial Planning Services
- Selection of Other Advisers
- Pension Consulting Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Calton & Associates, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

#### *Portfolio Management Services*

We offer discretionary and non-discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we may meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship and/or develop an Investment Policy Statement. We will use the suitability information we gather and/or Investment Policy Statement to recommend an initial portfolio to you.

As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives or we may also invest your assets using a predefined strategy or one or more model portfolios. Once we construct an investment portfolio or select a model portfolio for you, we will monitor your portfolio and will rebalance/reallocate the portfolio periodically or as required by changes in market conditions and your financial circumstances, depending on the engagement with the client.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your

account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

#### Separate Account Management Platforms

We offer access to multiple managers and allocation services through our Separate Account Management Platforms. Based on your needs and suitability, we may recommend or select a Separate Account Management Platform, to manage all, or a portion of, your assets. Each platform includes access to sub-managers. We will regularly monitor the performance of your accounts managed in the Separate Account Management Platform(s), and may hire and fire any sub-manager without your prior approval.

#### Separate Account Managers

We offer access to several separate account managers to manage all, or a portion of, your assets. If we recommend a separate account manager to you, you will be required to enter into an investment advisory agreement with the separate account manager as well as with our firm. We will regularly monitor the performance of your accounts managed by separate account managers, but will not hire and fire any separate account manager without your prior approval.

#### *Financial Planning Services*

We offer broad-based, modular, and consultative financial planning services, which may include, but is not limited to, the following: wealth management planning, retirement planning, business/succession planning, and insurance/risk management planning. Broad-based financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

If you only require advice on a single aspect of the management of your financial resources, we offer financial plans in a modular format and/or general consulting services that address only those specific areas of interest or concern. We may also offer ongoing financial planning services, which may include one or more of the following services: update financial plans as needed; provide periodic performance reports; meet with you periodically. The annual fees charged for this service are billed quarterly.

We also offer an Open Retainer Program whereby you may hire our firm to provide financial planning and/or consulting services as needed on an ongoing basis. Our Open Retainer Program is renewable annually.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change. We may make certain assumptions with respect to interest and inflation rates and use of past trends and performance of the market and economy. Past performance is in no way an indication of future results. We do not offer any guarantees or promises that your financial goals and objectives will be met.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

#### *Selection of Other Advisers*

We may recommend that you use the services of a third party investment adviser ("TPA") to manage your entire, or a portion of your, investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific TPA or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPA's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will monitor the TPA(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

#### *Pension Consulting Services*

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review, formation of the investment policy statement, asset allocation advice, investment performance and monitoring, and/or communication and education services where we assist the client in providing meaningful information regarding the retirement plan to participants. In addition, we may offer assistance in setting up a relationship with a third party administrator and processing enrollment forms.

We will not have discretion over the administration of the plan or the plan assets. Advice to plan participants will be limited to general, impersonal advice.

#### **Types of Investments**

We offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities, options contracts on securities, futures contracts on intangibles, and interest in partnerships investing in real estate and oil and gas interests.

Additionally, we may advise you on other types of investments that we deem appropriate based on your stated goals and objectives. We may also provide advice on other types of investments held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.



## **Wrap Fee Program**

We are a sponsor of a wrap fee program, which is a type of investment program that provides clients with access to asset management services for a single fee that includes management fees and securities transaction costs. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees and certain transaction costs. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by the broker-dealer/custodian through which securities transactions are executed, and the advisory fees charged by investment advisers. For more information concerning the Wrap Fee Program, please review this *Appendix 1 Brochure*.

## **Performance-Based Fees and Side-by-Side Management**

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Our Methods of Analysis and Investment Strategies**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Charting Analysis** - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- **Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- **Short Sales** - a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- **Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.



- **Options Writing** - a securities transaction that involves selling options. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The buyer pays the seller a premium (the market price of the option at a particular time) in exchange for the seller writing the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

*Charting, Fundamental, and Technical Analysis:* The risk of market timing based on charting and technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance. The risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

*Frequent Trading:* We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

*Short-Term Purchases:* We may use short-term purchases as a core investment strategy. Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

*Short Sales:* Where appropriate given your stated investment objectives and tolerance for risk, we may recommend and manage portfolios consisting of short leveraged ETFs, options, and margin. Clients participating in these types of portfolios will receive additional disclosure information regarding the risks involved with these types of investments. Short selling is very risky. Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his advantage. He makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, his gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as he chooses to keep his short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such

occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back his loaned shares or issue a 'call away' to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up making huge losses.

*Margin:* Buying on margin means borrowing money from a broker to purchase stock. Margin trading allows you to buy more stock than you'd be able to normally. An initial investment of at least \$2,000 is required for a margin account, though some brokerages require more. This deposit is known as the minimum margin. Once the account is opened and operational, you can borrow up to 50% of the purchase price of a stock. This portion of the purchase price that you deposit is known as the initial margin. Some brokerages require you to deposit more than 50% of the purchase price. Not all stocks qualify to be bought on margin. When you sell the stock in a margin account, the proceeds go to your broker against the repayment of the loan until it is fully paid. There is also a restriction called the maintenance margin, which is the minimum account balance you must maintain before your broker will force you to deposit more funds or sell stock to pay down your loan. When this happens, it's known as a margin call. If for any reason you do not meet a margin call, the brokerage has the right to sell your securities to increase your account equity until you are above the maintenance margin. Additionally, your broker may not be required to consult you before selling. Under most margin agreements, a firm can sell your securities without waiting for you to meet the margin call and you can't control which stock is sold to cover the margin call. You also have to pay the interest on your loan. The interest charges are applied to your account unless you decide to make payments. Over time, your debt level increases as interest charges accrue against you. As debt increases, the interest charges increase, and so on. Therefore, buying on margin is mainly used for short-term investments. The longer you hold an investment, the greater the return that is needed to break even. In volatile markets, prices can fall very quickly. You can lose more money than you have invested.

*Options:* Options are complex securities that *involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital.* An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realising value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk unlimited losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include: market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks as stock options are a derivative of stocks.

*Capital Growth and Income Strategy:* Depending on your needs and investing objectives, we may create a model portfolio for you that seeks to provide current income with the potential for capital appreciation. A growth and income strategy often invests in companies which have earnings growth as well as those that pay dividends. Risks associated with a capital growth and income strategy are similar to those experienced with income strategies and growth strategies. For example, bonds can get called when interest rates drop and it may not be possible to replace a called bond with another paying the same interest and companies can suspend dividends for certain stocks if the company experiences financial problems. Growth investing strategy includes the search of stocks that have a potential for growth. The latter means that at a certain point in time the price of the stock will rise. As a result, growth investors may target young companies that have the potential of exceeding its peers in the industry or sector. Growth investing by its very nature implies risk since some of the young companies may fail.

These risks are addressed by diversifying among multiple asset classes and asset strategies, creating different segments to the portfolio. As part of the screening process, we re-balance/re-allocate the different segments using a Best Idea approach to determine what percentage of assets to allocate to each portfolio segment. A liquidity check is performed to ensure the investability of each security. Any

security eligible for inclusion in the portfolio with low or no liquidity may be removed and replaced by the next highest ranked security in the same asset segment. Due to the fluctuating nature of security prices, the weighting of an individual security or sector in the portfolio may change after the portfolio establishment.

*Tax Implications:* Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Voting Client Securities**

In certain circumstances, and in accordance with each client's specific advisory agreement, we will vote proxies related to securities held by the client in a manner that is in the best interest of the client. We will consider only those factors that relate to the client's investment(s) or that are established by the client's written instructions. Such factors will include how its vote will economically impact and affect the value of the client's investment (keeping in mind that, after conducting an appropriate cost-benefit analysis, not voting at all on a presented proposal may be in the best interest of the Client.)

In general, we cast proxy votes in accordance with the following principles:

- Votes will at all times be directed toward maximizing the value of the client's investment as an owner;
- We generally vote against any proposal that is likely to dilute the value of an issuer's common stock. Examples of such items would be restrictions against cumulative voting, establishment of different classes of stock, or any activity that could be viewed as a "poison pill" maneuver.
- On other matters specific to a company, such as election of directors, appointment of auditors, granting and repricing of options, mergers and other material issues, a decision shall be made in conjunction with the primary analyst responsible for evaluating that company, consistent with the policy of maximizing value. We evaluate company management before deciding to own a security and gives weight to management recommendations on material issues with the goal of maximizing shareholder value over the long term.

- The same security will be voted identically across all similarly situated client accounts except for the Socially Responsible Investing accounts, (SRI), which may cast individual ballots not identically.

In voting on each and every issue, we will vote in a prudent and timely fashion and only after a careful evaluation of the issue(s) presented on the ballot.

In exercising its voting discretion, we will avoid any direct or indirect conflict of interest raised by such voting decision. If the Chief Investment Officer believes that there is any potential material conflict of interest for the firm on a particular proxy vote, it is to be turned over to the Investment Oversight Committee for the voting decision.

In the event you wish to direct our firm on voting a particular proxy, you should contact your representative, at the phone number listed on the cover page of this document, with your instruction. We do not accept instructions via Email.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

## **Item 7 Client Information Provided to Portfolio Managers**

Through personal discussions in which your goals and objectives are established, we develop your personal investment policy, which we communicate to the portfolio manager managing your account at the inception of our engagement. We communicate changes in your policy to the portfolio manager as they occur.

## **Item 8 Client Contact with Portfolio Managers**

You may contact us with any question regarding your account. We can also seek to arrange communications with any portfolio managers utilized, if you desire.

## **Item 9 Additional Information**

### **Registration as Broker-Dealer**

In addition to being registered as an investment adviser, our firm is also registered as a broker-dealer and is a member FINRA and SIPC. As an introducing broker, we engage in retail securities transactions for investment advisory and non-investment advisory clients, along with certain other activities normally associated with a broker dealer. Our principal business is the sale of securities.

Persons providing investment advice on behalf of our firm may be registered representatives with our firm. In their capacity as registered representatives, these persons may receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm. Furthermore, persons providing investment advice to you are not permitted to earn advisory



fees for as much as two years on securities for which they received commissions. After the earlier of two-years, or the date upon which the commission have offset the 2.95% annual fee, the value of the security will be added to the value of your total assets for billing purposes.

### **Insurance Producer**

In addition to being registered as an investment adviser and broker/dealer, our firm is also licensed as an insurance producer which allows us to offer insurance products from a variety of product sponsors. Persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from, and are in addition to, our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. We may receive compensation from the TPA for recommending that you use their services. In such instances, these compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

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

#### *Description of Our Code of Ethics*

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this wrap fee program brochure.

#### *Participation or Interest in Client Transactions*

It is our policy that neither our firm nor any persons associated with our firm have any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this wrap fee program brochure.

#### *Personal Trading Practices*

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this wrap fee program brochure for information on our block trading practices. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Review of Accounts**

All portfolio management accounts are monitored by the investment adviser representative assigned to the account either on an ongoing or periodic basis as agreed upon with the client. We recommend quarterly verbal progress reports and annual written progress reports, depending on our specific arrangement with you. You may request a verbal or written report at any time. Additionally, all accounts will be monitored under current FINRA/SEC Broker-Dealer guidelines. Spot checks will occur by any member of the investment committee. The initial investment advisory account form will be approved by a principal of the company.

Before an investment advisory account can be opened, a member of the investment committee must verify the investment advisory account information and approve any recommended advice based in the information provided by the client. One of Dwayne K. Calton-President, Dominick Calderazzo - Associate or Robert B. Greblunas-Vice-President, or their designees, reviews transactions in each Client account on an ongoing basis and conducts account reviews annually.

We generally do not provide you with additional or regular written reports in conjunction with account reviews. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

## **Client Referrals and Other Compensation**

As disclosed under the "Fees and Compensation" section in this wrap fee program brochure, persons providing investment advice on behalf of our firm may be licensed insurance agents and registered representatives. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section. We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this wrap fee program brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will typically receive either a percentage of the advisory fee you pay our firm for as long as you are a client with our firm or until such time as our agreement with the Solicitor expires, or a one-time, flat referral fee upon your signing an advisory agreement with our firm or some alternative arrangement. You will not pay additional fees above our stated rates and minimums because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms. Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. 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 filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this wrap fee program brochure.



## **Disciplinary Information**

The Florida Office of Financial Regulation and the Financial Industry Regulatory Authority (formerly NASD) have, in the past, taken certain disciplinary actions against Calton & Associates ("Calton") for alleged violations of certain securities regulations, rules, and/or statutory provisions. The matters have been settled, and Calton has paid fines with respect to such violations.

On January 15, 2009, the Florida Office of Financial Regulation ("OFR") entered an Order against Calton for allegedly failing to comply with FINRA Advertising Regulations. The OFR alleged that Calton did not follow its internal compliance procedures, and: (i) failed to approve certain advertisements before its first use; (ii) failed to submit certain advertisements to FINRA's Advertising Regulation in the required time frame; (iii) failed to retain copies of certain advertisements in its compliance files; and (iv) internal inspections conducted by Calton were not reasonably designed to detect and prevent violations of applicable securities regulations. Without admitting or denying the allegations, Calton entered into a Stipulation and Consent Agreement with OFR, in which Calton agreed: (i) to paid a civil money penalty in the amount of \$5,000; (ii) to hire an independent consultant to review its compliance procedures; (iii) to implement all recommendations made by the independent consultant; and (iv) to provide a copy the independent consultant's report to OFR with a attestation of adoption of the recommendations by Calton.

On October 27, 2005, Financial Industry Regulatory Authority ("FINRA") instituted proceedings pursuant to NASD Conduct Rules 2110 and 3010; FINRA alleged that under NASD Marketplace Rule 6230(A) Calton failed to report TRACE-eligible transactions within the required time frame. Without admitting or denying the allegations, Calton submitted a Letter of Acceptance, Waiver and Consent, which FINRA accepted, in which Calton: (i) consented to the described sanctions and to the entry of the findings; (ii) was censured pursuant to relevant rules and regulations; (iii) ordered to pay a civil money penalty in the amount of \$10,000; and (iv) agreed to an undertaking to revise its written supervisory procedures.

More information concerning Calton & Associates' disciplinary disclosures can be obtained from FINRA's BrokerCheck link at: [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## **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 nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, portfolio managers, technology firms, custodians, broker-dealers, accountants, consultants, and attorneys. We restrict internal access to nonpublic 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 nonpublic personal information and to ensure our integrity and confidentiality. We will 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. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this wrap fee program brochure if you have any questions regarding this policy.