



## **FORM ADV PART 2A DISCLOSURE BROCHURE**

**December 17, 2021**

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This brochure provides information about the qualifications and business practices of Calton & Associates, Inc. If clients have any questions about the contents of this brochure, please contact Calton 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. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Calton & Associates, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifier known as a CRD number. Calton & Associates, Inc. CRD number is 20999.

## **Item 2 - Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that Calton & Associates, Inc. (“Calton”) provides to clients as required by the Investment Advisers Act of 1940 rules.

Pursuant to the rule under the Investment Advisers Act, Calton will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days as of the close of its fiscal year end of 9/30. Calton will provide its clients with other ongoing disclosure information about material changes to its Form ADV as necessary.

Calton will also provide clients with a new Brochure as necessary based on changes or new disclosure information to its Form ADV. A brochure may be requested by contacting Calton’s home office at 800-942-0262.

This summary of material changes identifies, and provides information to the changes made to Calton’s Form ADV 2A Brochure since its last update on December 19, 2020. To review all changes since the last update, please review the entire brochure. Material changes since our last changes include the following:

### **Item 4 - Advisory Business**

Calton has updated this Item to reflect the current value of Assets Under Management as of 9/30/21.

### **Item 9 – Disciplinary Information**

Calton has updated this item to disclose disciplinary actions since the last Form ADV Part 2A filing.

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## **Item 4 - Advisory Business**

### **About Calton**

Calton & Associates, Inc. ("Calton") is a privately owned corporation registered as a Registered Investment Adviser with the United States Securities and Exchange Commission ("SEC"), and also as a broker/dealer with the SEC and Financial Industry Regulatory Authority ("FINRA"). Calton is licensed to conduct business as a broker/dealer and Registered Investment Adviser in all 50 states and Puerto Rico.

Calton has approximately 184 independent Investment Adviser Representatives. Most of Calton's Investment Adviser Representatives ("IARs") are also dually registered as Registered Representatives ("RRs") and offer securities through Calton. Most RRs are also licensed as independent insurance agents that solicit, offer, recommend and sell fixed and variable insurance products in the states in which they conduct business.

Therefore, IARs can potentially be acting in all three capacities when soliciting, offering, recommending and selling investment products, investment advisory services and/or insurance products to their clients. The dual registration as a RRs and IARs, and also being licensed as independent insurance agents may create a conflicts of interest when the IARs are soliciting, offering, recommending and selling certain securities and insurance products to the client. RRs may receive higher commissions on certain products where the client pays a commission, creating an incentive to offer those securities and insurance products over other products.

### **Types of Services Offered**

Calton and its IARs may solicit, offer, recommend and sell fee-based investment advisory services, including fee based financial planning, and fee-based asset managed accounts. IARs when also acting as RRs and/or independent insurance agents may also solicit, offer, recommend and sell securities and insurance products, including but not limited to individual stocks and bonds, mutual funds, closed end funds, Exchange Traded Funds ("ETFs"), fixed and variable insurance products, and non-traded alternative products, including but not limited to Real Estate Investment Trusts ("REITs"), Business Development Companies ("BDCs") private placements and Direct Participation Programs ("DPPs").

Generally, clients will be charged a commission when purchasing these types of securities or insurance products. Depending on the type of securities product recommended and sold, and/or the nature of the investment advisory services recommended by the IARs, clients may either be charged a commission for purchasing and selling securities or be charged a fee-based investment advisory fee or a combination of them. Commissions are most often charged for securities products purchased and sold on a transaction by transaction basis in a commission based brokerage account or that are submitted to and held directly with a product sponsor. An investment advisory fee is usually charged a percentage based on the amount of the client's assets under management held in the client's account with the IAR as agreed upon under an Investment Advisory Agreement signed by the client. Calton and its IARs may receive higher compensation for recommending certain types of accounts over others creating a conflict of interest to recommend some products over other products. See Item 5 (Fees and Compensation) for additional information on the commissions and fees charged.

The IAR will make a determination based on the client's financial situation, age, income, net worth, liquid net worth, tax status, investment objectives, investment experience, time horizon and risk tolerance whether to recommend commission based securities products or charge an investment advisory fee for managing the client's assets or a combination of both. Some securities products, such as non-traded alternative products may not be eligible to be placed in a fee-based investment advisory account and can only be purchased on a commission basis.

Background, experience and education information regarding each Investment Adviser Representative is contained in the IAR's individual Brochure Supplement, which is known as the Form ADV Part 2B Brochure Supplement. A copy of the IAR's Part 2B Brochure Supplement will be provided to each client on or before the client executes the Investment Advisory Agreement with Calton. Calton and its IARs do not provide any advice regarding whether to participate in class action lawsuits brought by a third-party against the issuers of securities held in a client's account.

The following provides a description of the types of investment advisory services offered and provided by Calton and its IARs:

### **Investment Advisory Services and Individual Portfolio Asset Management**

IARs provide continuous advice to a client regarding the investment of the client's funds based on the individual needs of the client. The IAR and the client discuss the client's specific financial situation, goals and investment objectives, investment experience, time horizon, liquidity needs and risk tolerance. The IAR then helps develop asset allocation strategies and/or models and makes recommendations to the client to manage the client's portfolio according to agreed upon parameters.

Investment management services are provided under a written Investment Advisory Agreement between Calton and the client. Under the terms of the Investment Advisory Agreement, the IAR is either authorized by the client to execute transactions on a discretionary basis without contacting the client or on a non-discretionary basis requiring the client's authorization for each investment recommendation. If the client's financial situation, investment objectives or risk tolerance change he or she should promptly notify their IAR.

The IAR will work with the client to identify the asset allocation which best fits the client's investment objectives, investment experience and risk tolerance. Calton and its IAR will then manage the client's accounts to match their chosen asset allocation. Calton's clearing firms or a selected custodian will provide monthly statements and a year-end tax summary. IARs may also choose to provide the client with quarterly performance reports.

The types of investment advisory programs offered are described and listed below:

### **Separate Account Management Programs**

Calton offers access to multiple money managers and allocation services through its Separate Account Management Programs. Calton may recommend or select a Separate Account Management Platform to manage all, or a part of the client's assets. The P-MAP and T-MAP Programs include access to sub-managers.

### **Wrap Fee Programs**

Calton offers the Innovation Managed Advisory Program ("I-MAP") and Premier Managed Advisory Program ("P-MAP") with the option to be charged under a wrap fee program. Calton is the sponsor and manager of the I-MAP and P-MAP wrap fee programs.

These wrap programs provide clients with access to an account with portfolio and asset management services for a single investment advisory fee that includes management fees, charges and securities transaction costs. Calton and its IAR receive a portion of the wrap fee for the investment advisory services provided under the Investment Advisory Agreement. The overall cost the client will pay for participating in a wrap fee program may be higher or lower than the cost a client may pay by separately purchasing and selling the types of securities in a commission-based brokerage account that are made available in the wrap program. Additional administrative fees of up to \$40 per quarter may be charged in

both wrap, and non-wrap, investment advisory fee-based programs.

To compare the cost of the wrap fee program with non-wrap fee portfolio management services, the client should consider the frequency of trading activity in his or her account versus a commission-based brokerage account. Calton and/or its IARs recommending a wrap fee program account versus a commission-based brokerage account may have a conflict of interest as Calton and/or its IAR may receive higher compensation for recommending the wrap account.

For more information about the I-MAP or P-MAP Wrap Fee Program, please see Appendix 1 to this Brochure.

### **Innovation Managed Advisory Program ("I-MAP")**

Calton and its IARs will construct and directly manage a portfolio of stocks, bonds, mutual funds, and Exchange Traded Funds ("ETFs"). The I-MAP program is offered as an all-inclusive wrap fee program where all fees, charges and expenses and the investment advisory fee are "wrapped" under one fee or as a non-wrap program where the commissions for transactions, fees, charges and expenses are paid by the client in addition to the fee-based investment advisory fee. Details regarding the I-MAP program can be found in the Form ADV-Appendix 1, Wrap Fee Program Brochure.

### **Premier Managed Advisory Program ("P-MAP")**

Calton acts as the manager to the P-MAP program, constructs the client's portfolio and provides on-going investment management. Calton may appoint third-party money manager ("TPMMs") investment advisers to manage a part or the entire portfolio. When a TPMM investment adviser is appointed, Calton will continue as the primary manager and the TPMM investment adviser will act as a sub-adviser to the client's portfolio. P-MAP program is offered as an all-inclusive wrap fee program where all fees, charges and expenses and the investment advisory fee are "wrapped" under one fee or as a non-wrap program where the commissions for transactions, fees, charges and expenses are paid by the client in addition to the fee-based investment advisory fee. Details regarding the P-MAP program can be found in the Form ADV-Appendix 1, Wrap Fee Program

### **Third-Party Money Managers**

IARs may recommend that the client engage the services of Third-party Money Managers ("TPMMs") investment advisers to provide investment management services regarding the client's account. TPMMs will be recommended when the TPMM's strategy fits within a particular client's financial situation, investment objectives and risk tolerance. The services to be provided by the TPMM, the compensation to be paid, and other terms of the relationship between the client and the TPMMs will be described in the TPMMs disclosure brochure documents and managed account agreement. Calton and its IAR will receive a portion of the investment advisory fee paid by the client to the TPMM.

IARs are not permitted to recommend TPMMs unless the TPMM has been approved by Calton. Before approving a TPMM, Calton reviews and conducts due diligence on the TPMM investment adviser concerning its programs and performance, reviews the TPMM's client materials, including its Part 2A of Form ADV, disclosure documents, the TPMM's investment advisory agreement(s), performs a review of the TPMM's registration history, including any complaints or disciplinary actions by regulatory bodies and interviews the TPMM's personnel to discuss the TPMM's overall investment style, philosophy, management and strategy to ensure that it fits with the client's financial situation, investment objectives and risk tolerance.

Calton will not approve a TPMM until it has conducted due diligence on the TPMM's knowledge, experience, investment philosophy and style and performance history. A TPMM will not be recommended to a client unless the TPMM is registered or exempt from registration in the client's state of residence.

The amount of the investment advisory fees charged varies depending on the TPMM and the amount of assets under management. The amount of investment advisory fees to be received is disclosed and agreed upon by the client in the TPMM's Investment Advisory Agreement.

Neither Calton nor the IAR directly supervises or is responsible for the actions or investment advice provided by any TPMMs investment advisers. However, Calton does conduct periodic reviews and monitors the TPMMs, including their investment performance and at its discretion. Calton may terminate a TPMM. IARs will review the TPMM's performance, as they meet with their clients and will discuss if the TPMM is meeting the objectives agreed upon and whether to retain the TPMM. Calton and its IAR cannot predict, ensure or guarantee that any TPMM will continue to meet or maintain its stated investment objectives or performance.

### **Third-Party Asset Manager Portfolio Program ("T-MAP")**

Calton and its IARs will customize an investment program for the client consisting of one or more compatible TPMMs investment advisers. The T-MAP program is offered as a non-wrap fee program. The client will incur transaction costs and other expenses in addition to the investment advisory fee.

Calton's T-MAP program provides the clients with the opportunity to have their portfolios professionally managed by outside TPMMs. The T-MAP program offers clients access to a variety of model portfolios with varying levels of risk from which they may choose. T-MAP program accounts are not managed by Calton, but are managed by one or more TPMMs on a discretionary basis. T-MAP may consist of a variety of different securities types, including stocks, bonds, and mutual funds. Calton is not the sponsor of these TPMM investment advisers. Calton may act in either a "solicitor" or "sub-adviser" capacity when it offers T-MAP programs to clients, as described below:

#### **Solicitors:**

When acting as a solicitor for the T-MAP program, Calton and its IAR do not provide investment advisory advice in relation to the T-MAP program. The IAR will assist the client in selecting one or more T-MAP programs based on the client's financial situation, investment objectives, investment experience, time horizon and risk tolerance. The TPMM investment adviser will be responsible for assessing the suitability of the products recommended to the client's risk profile. Calton and its IAR are compensated for referring the client to the TPMM program. The TPMM shares a percentage of the investment advisory fee with Calton and its IAR that the client pays to the T-MAP program. When Calton acts as a solicitor for a T-MAP program, the client will receive a written solicitor disclosure statement describing the nature of Calton's relationship with the T-MAP program, the terms of Calton's compensation agreement with the TPMM, the amount of compensation that Calton will receive for referring the client to the TPMM and the amounts that the client will be charged for other fees and expenses in the T-MAP program in addition to the investment advisory fee paid to the T-MAP.

#### **Co-Advisers or Sub-advisers:**

Under a co-adviser or sub-adviser relationship between Calton and the TPMM investment adviser of the T-MAP program, Calton and TPMM are jointly responsible for the ongoing management of the account TPMM. The client's IAR may assist the client in obtaining his or her investor profile. The responses will assist the IAR with understanding the client's investment objectives, financial situation, risk tolerance, and investment time horizon. The IAR will assist the client in determining which T-MAP model or portfolio strategy is appropriate. As part of establishing a new account, the client will receive Calton's disclosure brochure as well as the disclosure brochure of each TPMM selected to manage all or a part of the client's portfolio.

Since each T-MAP is structured with different investment products, the client should carefully review all documents provided with the T-MAP program.

These documents include, but are not limited to:

1. The T-MAP's Form ADV Part 2A or Disclosure Brochure for specific program descriptions.
2. The T-MAP's Client Agreement as well as any other agreement entered into regarding a T-MAP program, for specific contractual terms (including fees, billing methods, administrative and other fees)
3. additional disclosure or offering documents provided by the T-MAP in connection with investment products

IARs may recommend that the client engage the services of TPMMs investment advisers to provide investment management services regarding the client's account. TPMMs will be recommended when the TPMM's strategy fits within a particular client's financial situation, investment objectives, time horizon and risk tolerance. The services to be provided by the TPMM, the compensation to be paid, and other terms of the relationship between the client and the TPMMs will be described in the TPMMs disclosure brochure documents and managed account agreement. Calton and its IAR will receive a percentage of the investment advisory fee paid by the client to the TPMM.

IARs are not permitted to recommend TPMMs unless the TPMM has been approved by Calton. Before approving a TPMM, Calton reviews and conducts due diligence on the TPMM investment advisor concerning its programs and performance, reviews the TPMM's client materials, including its Part 2A of Form ADV, disclosure documents, and the TPMM's investment advisory agreement(s), performs a review of the TPMM's registration history, including any complaints or disciplinary actions by regulatory bodies and interviews the TPMM's personnel to discuss the TPMM's overall investment style, philosophy, management and strategy to ensure that the program fits with the client's financial situation, investment objectives, investment experience, time horizon and risk tolerance.

Calton will not approve a TPMM until it has conducted due diligence on the TPMM's knowledge, experience, investment philosophy and style and performance history. A TPMM will not be recommended to a client unless the TPMM is registered or exempt from registration in the client's state of residence. The amount of the investment advisory fees charged varies depending on the TPMM and the amount of assets under management. The amount of investment advisory fees to be received is disclosed and agreed upon by the client in the TPMM's Investment Advisory Agreement.

Neither Calton nor the IAR directly supervises or is responsible for the actions or investment advice provided by any TPMM investment advisers. However, Calton does conduct periodic reviews and monitors the TPMMs, including their investment performance and at its discretion, Calton may terminate a TPMM. IARs will review the TPMM's performance with their clients periodically and will discuss if the TPMM is meeting the objectives agreed upon and whether to retain the TPMM. Calton and its IAR cannot predict, ensure or guarantee that any TPMM investment adviser will continue to meet or maintain its stated investment objectives or performance.

### **Financial Planning**

Calton and its IARs may offer fee-based financial planning services. Financial planning is a detailed evaluation of a client's current and future financial situation by using current data and unknown variables to estimate future cash flows, asset values and withdrawal plans. Clients purchasing financial planning services will receive a written financial plan, report and/or analysis depending on the complexity of the financial planning services conducted.

In general, the financial plan, report and/or analysis can address any or all of the following areas:

1. Asset Allocation: Based on the client's financial situation, investment objectives, and risk tolerance,



IARs may make asset class or asset mix recommendations.

2. Education Planning: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make an analysis and recommendations as to the savings and investment goals clients would need to set in order to provide adequate capital for higher education goals.
3. Estate Planning: Based on the client's financial situation, investment and estate distribution objectives, and risk tolerance, IARs may make an analysis and recommendations for strategies to help provide clients maximum estate value retention and liquidity.
4. Financial Statements and Portfolio Reports: IARs may provide clients with a financial statement or portfolio report and analysis.
5. General Analysis and Planning: IARs can also provide planning on a more focused basis. This may include advice on one or more separate area(s) such as estate planning, retirement planning or other planning service offered by Calton.
6. Insurance Profile/Analysis: IARs may make an analysis and recommendations as to the adequacy of insurance coverage and possible solutions to any perceived gaps in insurance.
7. Retirement Planning and Analysis: Based on the client's financial situation, investment objectives, and risk tolerance, IARs may make an analysis and recommendations as to the savings and investment goals clients would need to set in order to provide adequate capital and income to maintain their standard of living after retirement.
8. Business Retirement Planning: Based on a business's objective to provide or assess retirement planning opportunities for its employees and/or partners, an IAR may provide a review of a current business retirement plan, assist in the review or preparation of an Investment Policy Statement, or work with the business to install a retirement plan.

The IAR gathers required information through in-depth personal interviews. Information gathered includes the client's current financial situation, tax status, future goals, returns objectives and attitudes toward risk. The IAR will review financial documentation and statements provided by the client, and may have the client complete a risk tolerance questionnaire. The IAR will then prepare a written plan, report and/or analysis specific to the financial planning services agreed upon with the client.

Should the client choose to implement the recommendations contained in the financial plan, the IAR will recommend that the client work closely with his/her attorney, accountant, insurance agent, and/or financial professional. The implementation of financial plan recommendations by the IAR is entirely at the client's discretion. The client is under no obligation to act on IARs financial planning recommendations. Should the client choose to act on any of the IARs recommendations, the client is not obligated to implement the financial plan through Calton or its IAR. The client may act on the IAR's recommendations and purchase securities transactions with any brokerage firm. Typically, the financial plan is presented to the client within 90 days of the agreement date, provided that all information and documentation needed to prepare the financial plan has been promptly provided by the client.

Since IARs of Calton may also be Registered Representatives ("RRs") of Calton, recommendations made to implement financial plans are limited to only those products offered through Calton. Any insurance recommendations will be limited to the insurance companies the IAR is licensed and appointed to conduct business with as an insurance agent or broker. Calton's IARs do not make specific recommendations concerning the purchase or sale of specific securities in the financial plan.

Clients should be aware that there can be no assurance or guarantee that any of the objectives and goals outlined in the financial plan may be achieved.

## **Selection of Other Advisers**

As part of the P-MAP and T-MAP program, Calton may recommend that the client use the services of a TPMM to manage the entire, or a portion of the client's investment portfolio account. After gathering information about the client's financial situation and objectives, Calton may recommend that the client use a specific TPMM or investment program. Factors that Calton takes into consideration when making its recommendation(s) include the TPMM's performance, methods of analysis, fees, the client's financial situation and needs, investment goals, investment objectives, investment experience, time horizon, and risk tolerance.

If Calton and/or its IAR recommends a TPMM to the client he or she will be required to enter into separate investment advisory agreements with the TPMM and Calton.

## **Retirement Plan Consulting Services**

Calton and its IARs may offer various levels of investment advisory services to employer sponsored employee benefit plans. The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants in the employer sponsored plan under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor, Calton is required to provide the plan fiduciary with a written statement of the services Calton provides to the employer sponsored plan, the compensation Calton receives, actual and potential conflicts of interest, and the capacity in which Calton acts on behalf of the plan.

The specific services and fees include but are not limited to:

1. Assistance with the development and/or review of Investment Policy Statement ("IPS")
2. Assistance with the review, selection, and monitoring of Designated Investment Alternatives ("DIAs")
3. Assistance with the creation and management of Model Asset Allocation Portfolios ("Models") comprised of the plan's underlying DIAs
4. Assistance with the review, selection and monitoring of Qualified Default Investment Alternatives ("QDIA")
5. Providing Participants advice related to Plan specific DIAs

In addition, Calton may offer non-fiduciary retirement plan consulting service such as participant and fiduciary education, vendor selection, support for reporting and technology services, and other non-investment related assistance.

In providing fiduciary services to the Plan and Participants, Calton and/or its IAR may act as a fiduciary under ERISA Part 4 of Title I offering non-discretionary advice as defined in Section 3(21) under ERISA, or as a discretionary fiduciary of the plan as defined in Section 3(38) under ERISA. Calton is not subject to any disqualifications under Section 411 of ERISA.

The services are described in further detail in The Retirement Plan Advisory Agreement and Disclosure.

## **Retirement Plan Participant Services**

The plan sponsor may request these services at no additional cost to the participant. The IAR may make recommendations to assist the plan sponsor with creating risk-based models comprised solely among the Plan's DIAs based on the Plan's IPS or other investment guidelines. Upon specific request

an IAR may meet with a participant to discuss the investment options available within the plan. The IAR may meet with plan participants periodically to collect information necessary to complete a profile to identify the participant's individual investment objectives, investment experience, risk tolerance, and time horizon.

Based upon each participant's profile, IAR may provide written recommendations to assist with the investment of his or her individual Plan account among one or more of the Plan's DIAs or models, if available. The participant retains sole discretion over the investment of their account. For individuals that are retiring or changing jobs, IARs may provide educational information about the participant's options. For participants that individually make the decision to leave the plan as a result of retirement or a change to a new employer, IAR may be separately engaged to provide recommendations to plan participants on the advisability of taking retirement plan distributions. Any services to plan participants that include discussions about individual distributions or how to invest proceeds of a distribution from the employer sponsored plan will be performed separately with the plan participant. The IAR will cover the four options with the client including:

6. Leaving the assets in the former plan, if permitted;
7. Rollover the assets to new employer, if available and permitted;
8. Rollover to an IRA; or
9. Cash out the account value.

Factors relevant when comparing rollover options available to an individual generally include: age, financial situation, liquid net worth, investment options, fees and expenses, services, conflicts of interest, penalties, protection from creditors and legal judgments, required minimum distributions and tax consequences.

### **Assets Under Management**

As of September 30, 2021, Calton provides continuous management services for \$1,273,454,267 in clients' assets on a discretionary basis, and \$17,496,030 in clients' assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### **Portfolio Management Services**

Calton charges investment advisory fees for its portfolio management services based on a percentage of assets in clients' accounts up to 2.60%. Calton's investment advisory fees may be negotiable, depending on individual client circumstances under the Investment Advisory Agreement. Calton's investment advisory fees will vary and are determined by the IAR managing the client's investment advisory account, and the program option selected. The investment advisory fee may be higher or lower than what other clients pay the IAR for similar services. TPMMs investment advisers may charge a separate investment advisory fee that is in addition to Calton's investment advisory fee. The total investment advisory fees charged to the client by Calton are outlined and disclosed in the Investment Advisory Agreement the client signs with Calton.

With respect to the T-MAP program, Calton's investment advisory fee is separate and apart from the investment advisory fees charged by the third-party money managers ("TPMMs"). Investment advisory fees that the client pays to the TPMMs are outlined and disclosed in the disclosure brochure provided by each TPMM. The investment advisory fees charged by the TPMMs may or may not be negotiable. Clients should review the recommended TPMM's disclosure brochure and review the TPMM's investment advisory fees and add them to Calton's investment advisory fees to determine the total amount of investment advisory fees associated with the program being purchased.

Calton, generally bills clients' accounts quarterly in advance, however depending on the custodian of the account or TPMM selected, accounts may be billed either in advance or in arrears on a quarterly, monthly, or daily basis. Clients should refer to their account opening documents for information on the total investment advisory fee that will be charged and paid and the billing process applicable to their specific account(s). If the Investment Advisory Agreement is executed at any time other than the first day of a billing period, Calton will charge the investment advisory fees on a pro rata basis on the number of days in the billing period from account opening.

Calton will deduct its investment advisory fee directly from clients' accounts held at the qualified custodians or send clients an invoice for the payment of the investment advisory fee. Calton will deduct its investment advisory fee only when the client has authorized in writing the deduction of the investment advisory fees from his or her account. The qualified custodian will deliver an account statement to clients no less than quarterly. Clients should review all statements for accuracy.

The client or Calton may terminate the Investment Advisory Agreement upon 30 days written notice to the other party. The investment advisory fee will be pro-rated for the billing period from the date of cancellation. Calton will refund any unearned investment advisory fees to the client.

Certain clients may be charged according to a performance based investment advisory under the terms of the Investment Advisory Agreement, pursuant to a performance based fee schedule. Clients agreeing to be charged under the performance based fee schedule will be charged a quarterly fixed investment advisory fee and a performance based investment advisory fee based on a schedule detailed under Item 6 (Performance-Based Fees and Side-By-Side Management) of this document.

### **Financial Planning Services**

Calton and/or its IARs charge either a flat fixed or an hourly fee for financial planning services. The financial planning fee is negotiable between the client and IAR and is generally based on the complexity and scope of the financial plan, report or analysis. The scope of the financial planning services, the financial planning fees charged, and the terms of the Financial Planning Agreement will be negotiated on a case-by-case basis with each client.

Calton or the client may terminate the Financial Planning Agreement upon written notice to the other party. Fees charged for financial planning services that have not been completed by the IAR will be refunded to the client.

### **Selection of Other Advisers**

As part of the T-MAP program, Calton charges a separate investment advisory fee for the selection of other advisers in addition to the fee you pay the TPMM. The investment advisory fee paid to the TPMM is disclosed in the TPMM's disclosure brochure. The TPMMs' investment advisory fees may or may not be negotiable. Calton's compensation may differ depending upon the compensation agreement Calton has with each TPMM. Therefore, a conflict of interest exists where Calton and/or its IARs may have an incentive to recommend one TPMM over another that charges a higher investment advisory fee when Calton and/or its IAR would receive higher compensation.

The client will be required to sign an investment advisory agreement directly with the recommended TPPM(s). The client may terminate his or her investment advisory agreement with the TPPM according to the terms of the agreement with the TPPM. The client should review each TPPM's disclosure brochure for specific information on to terminate the investment advisory agreement with the TPPM and how to receive a refund. The client should contact the TPPM directly for questions regarding his or her investment advisory agreement with the TPPM.

## **Retirement Plan Consulting Service Fees**

Retirement Plan Consulting Services are available on a flat fee, based on Assets Under Management ("AUM" ) or at an hourly rate for one time consulting service. The scope of the retirement plan consulting services, the investment advisory fees charged and terms of the consulting services are negotiated on a case-by-case basis with each client and vary depending on the size, complexity and needs. Retirement plan consulting fees generally are charged as follows:

1. Fees for Assets Under Management may not to exceed 1.5%;
2. Fees for one time consulting fees may not exceed \$50,000;
3. Hourly Fees may not exceed \$500 an hour

Calton or the client may terminate the Retirement Plan Consulting Agreement upon 30-day written notice to the other party. The client will receive a pro-rata refund for consulting fees paid for services that have not been completed.

## **Additional Fees and Expenses**

As part of Calton's investment advisory services to the client, Calton and/or its IAR may invest or recommend that the client invest in mutual funds and Exchange Traded Funds ("ETFs") . The investment advisory fees that the client pays to Calton for managing his or her account(s) are separate and distinct from the fees, charges and expenses charged by the mutual fund companies and the product sponsors of the ETFs. More complete information about the fees, charges and expenses can be found in the mutual fund companies' or ETFs' prospectuses. Mutual fund and ETFs Clients may incur transaction charges and/or brokerage fees when purchasing or selling securities. Disclosure of the full costs are described in the mutual funds or ETFs' prospectuses. For information on Calton's brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

## **Margin Accounts**

Calton may approve clients to trade using margin. Each client must sign a separate margin agreement prior to margin being approved for the client's account. Investment advisory fees for advice and execution of securities transactions in the client's account are based on the total dollar value of the assets held in the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the investment advisory fee is based on the actual market value. Calton and/or its IARs recommending margin accounts in fee-based investment advisory accounts could create a conflict of interest where Calton and/or its IAR may have an incentive to recommend the use of margin to create a higher market value in the client's account, and therefore receive a higher investment advisory fee. The use of margin will also result in interest being charged in the client's account in addition to all other fees, charges and expenses associated with the account. The use of margin in fee-based investment advisory accounts should be carefully reviewed by the client.

## **Compensation for the Sale of Other Securities and Investment Products**

Calton is also registered as a broker-dealer with the SEC and FINRA. IARs providing investment advice on behalf of Calton are also Registered Representatives ("RRs") with Calton. When acting in their capacity as RRs, the IARs may also receive commission-based compensation in connection with the purchase and sale of mutual funds and other securities. The compensation includes "12b-1 fees," which are fees mutual fund companies pay to broker-dealers or their RRs for the sale of mutual funds or marketing and other expenses. Beginning in June 2018, Calton adopted a policy of crediting back to the clients any 12b-1 fees received by Calton and/or its RRs from the sale of mutual funds. Calton adopted this policy to eliminate the conflicts of interests that previously existed in recommending that

clients purchase share classes of mutual funds that paid 12b-1 fees in fee-based investment advisory accounts, when there was a share class of the same fund that did not charge a 12b-1 fee.

Commissions or other compensation earned by IARs when acting as RRs is separate and in addition to the investment advisory fees charged by Calton and/or its IARs. The receipt of any commission compensation presents a conflict of interest because IARs who are RRs and provide investment advice on behalf of Calton have an incentive to recommend securities that are commission-based. This conflict of interest exists even though Calton credits back the 12b-1 fees discussed above.

IARs that are acting as RRs may also recommend both fee-based investment advisory and commission-based brokerage accounts. Calton reviews and evaluates the conflicts of interest. As part of Calton's evaluation, the firm reviews whether each proposed commission-based brokerage transaction is suitable for the client and is consistent with Calton's obligation to act in the clients' best interests.

Clients are under no obligation, contractually or by agreement, to purchase securities products through any IAR or RR registered with Calton. When transferring securities into a fee-based investment advisory account, clients should consider and discuss with their IAR the following:

1. Whether there was a commission that was previously charged for a security being transferred, purchased or sold in their accounts;
2. Whether the securities held in a commission-based brokerage account should be transferred and managed in a fee-based investment advisory account ; or
3. Whether the securities in a fee-based investment advisory account should be transferred and held in a commission-based brokerage account.

Calton IARs providing investment advice may also be licensed in states as insurance agents. IARs acting as insurance agents will earn commission-based compensation for soliciting, recommending and selling insurance products to clients. Insurance commissions from the sale of insurance products earned by IARs acting as insurance agents are separate and in addition to the investment advisory fees charged by Calton and/or its IAR. The recommendation and sale of insurance products is a conflict of interest, because IARs providing investment advice who are insurance agents have an incentive to recommend insurance products to the client that pay them additional commission compensation. The client is under no obligation, contractually or by agreement, to purchase insurance products through any IAR acting as an insurance agent.

When Calton acts as a broker/dealer, its primary source of income is derived from commission-based compensation received from the purchases and sales of investment products Calton recommends to its clients. Certain securities including bonds are customarily not charged commissions but are purchased and sold by Calton to its clients on a riskless principal basis where Calton charges a mark-up on the purchase amount or a mark-down on the selling amount to the client. The client is notified that Calton is acting as principal and authorizes Calton to mark-up or mark-down in advance of the transaction.

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

Calton may charge side-by-side management or performance-based fees to certain clients under the terms of the Investment Advisory Agreement. Generally, clients having a net worth greater than \$2,200,000 or clients where Calton manages at least \$1,100,000 in assets upon account opening may be charged performance-based fees under the terms of the Investment Advisory Agreement.

Performance-based fees are investment advisory fees that are charged based on a share of capital gains or capital appreciation of a client's account. The fixed portion of the investment advisory fee will not exceed 25% of the account balance payable quarterly in advance. The performance investment

advisory fee is generally equal to a maximum of 10% of the net increase in the account value (adjusted for additional investments, redemption and other non-performance related changes) for the preceding month (or portion thereof if less than a month). In general, Performance-based investment advisory fees are calculated and charged quarterly in arrears. In certain instances, performance-based investment advisory fees are calculated monthly and charged quarterly in arrears, therefore an account may incur an investment advisory fee for a given month during a quarter even though the account value at the quarter-end may be below the account value at the beginning of the quarter. The client is provided with a detailed performance-based investment advisory fee calculation on a quarterly basis.

Investment advisory fees will be adjusted for deposits and withdrawals made during the 12-month period. In the event the client makes a complete withdrawal from the account on a date other than year-end, investment advisory fees will be due at the time of withdrawal. Refer to the Fees and Compensation section above for additional information on performance-based investment advisory fees.

Calton manages accounts that are charged performance-based investment advisory fees while at the same time managing accounts that may also have similar objectives that are not charged performance-based investment advisory fees. Charging performance-based investment advisory fees and non-performance based investment advisory fees at the same time creates a conflict of interest, which is described in the following paragraphs.

Performance-based investment advisory fees create an incentive for Calton to make recommendations for investments that may be considered having more risk or may be more speculative than would be the case without the performance-based fee arrangement.

Performance-based investment advisory fees may also create an incentive for Calton and/or its IAR to overvalue investments which do not have a readily obtainable market value. In order to address this conflict, Calton has adopted policies and procedures that require the firm to "fairly value" any investments, which do not have a readily obtainable market value. It may also cause Calton to recommend accounts where it charges a performance-based fee over accounts that it does not charge a performance-based fee. Calton may have an incentive to allocate certain securities, such as initial public offerings to clients who are charged performance-based fees over clients who are charged asset-based fees only. To address this conflict of interest, Calton has adopted policies and procedures that require the firm to allocate securities to clients' accounts without regard to whether the account pays performance-based versus asset-based investment advisory fees.

## **Item 7 - Types of Clients**

Calton offers 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 with Calton, the firm generally requires that the client have an initial account value of at least \$50,000. Calton may at its discretion accept clients with smaller account values.

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

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

Calton uses one or more of the following methods of analysis or investment strategies when providing investment advice to the client:

1. 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.

2. 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.
3. 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.
4. Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
5. 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.
6. 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.
7. 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.
8. Covered Options Writing - As a part of its portfolio management investment strategy, Calton and/or its IARs may recommend that the client sell covered calls against positions in the client's account to manage downside market risk and generate income returns.

Calton's investment strategies and advice may vary depending upon each client's specific financial situation. Calton determines investments and allocations based upon the client's age, financial situation, investment objectives, investment experience, risk tolerance, time horizon, liquidity needs, and other relevant factors. The investment restrictions and guidelines required by each client may affect the composition of their securities 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 and/or 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:**

Calton may use investment strategies that involve buying and selling securities frequently in an effort to capture market gains and/or to help avoid losses during periods of market volatility. Frequent trading can negatively affect investment performance, particularly through increased brokerage, other transactional costs and taxes.



### **Exchange-Traded Funds ("ETFs"):**

ETFs are typically investment companies that are registered as investment companies under the Investment Company Act of 1940. ETFs may be structured as open end mutual funds or Unit Investment Trusts ("UITs"). ETFs differ from open end mutual funds in that ETF shares are listed on a securities exchange. ETF shares can be bought and sold throughout the trading day the same as shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread fluctuates over time based on the ETF's trading volume and market liquidity. Although many ETFs are registered as an investment companies under the Investment Company Act of 1940 some ETFs particularly those that invest in commodities are not registered as investment companies. ETFs may be closed and liquidated at the discretion of the issuing company.

### **Exchange-Traded Notes ("ETNs"):**

ETNs are senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs and are listed on an exchange and can typically be bought or sold throughout the trading day. ETNs are not mutual funds and do not have a net asset value. The ETNs trade at the prevailing market price. Some of the more common risks of ETNs are as follows:

1. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay.
2. The trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.
3. ETNs may be closed and liquidated at the discretion of the issuing company.

### **Leveraged and Inverse ETFs, ETNs and Mutual Funds:**

Leveraged ETFs, ETNs and some mutual funds sometimes referred to as "ultra" or "2x" are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. Leveraged and inverse ETFs are different from and can be riskier than non-leveraged ETFs, ETNs and mutual funds. Leveraged and inverse ETFs are designed to provide returns that generally correspond to the underlying index, but they often do not replicate the performance of the underlying index, because of market fluctuations and volatility associated with them. To accomplish their objectives, leveraged and inverse ETFs may use a range of strategies, including swaps, futures contracts and other derivatives. Leveraged and inverse ETFs may not be diversified and can be based on commodities or currencies. Leveraged and inverse ETFs may have higher expense ratios and be less tax-efficient than non-leveraged ETFs, ETNs and mutual funds. Daily resetting of the asset values of leveraged and inverse ETFs may add to the volatility and fluctuations. As a result, this may prevent leveraged and inverse ETFs from achieving their stated investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged and inverse ETFs. In highly fluctuating and volatile markets with large positive and negative swings, return distortions can be magnified over time.

Because of the potential for large fluctuations, leveraged and inverse ETFs that have a daily reset option should be actively monitored daily. Leveraged and inverse ETFs are generally not appropriate as an intermediate or long-term holding and Calton and/or its IARs do not recommend them to their investment advisory clients.

### **Margin:**

Buying on margin means borrowing money from a broker/dealer to purchase stock. Margin trading allows the client to buy more stock. An initial deposit of at least \$2,000 is required for a margin account. This deposit is known as the minimum margin. Calton and/or its clearing firms that custody clients' accounts may require higher initial margin amounts. Once the account is approved the client may borrow up to 50% of the purchase price of a stock. This portion of the purchase price is known as the initial margin.

Not all stocks qualify to be bought on margin. When selling a stock in a margin account, part or all of the proceeds may be used as repayment of the margin loan until it is fully paid. If the account balance falls below a minimum required level, there is maintenance margin requirement, which is the minimum account balance that a client must maintain in the account. The client may need to deposit additional funds or sell stock to pay the outstanding loan balance. This is called a margin call. If for any reason the client cannot meet the amount of the margin call, the broker/dealer has the right to sell securities in the client's account to cover the margin call. The broker/dealer is not required to consult the client before selling. The client does not control which stock is sold to cover the margin call.

Clients pay interest on the outstanding loan balances. The interest charges are applied to the clients' accounts and the margin debt balance amount increases over time as interest charges accrue. In volatile markets, prices of stocks may decline quickly increasing the margin debit balance. This creates a conflict of interest, as Calton and/or its IAR receive investment advisory fees on securities that are on margin. Therefore, Calton and/or its IARs generally will not recommend the use of margin in fee-based investment advisory accounts. Any margin use in a fee-based investment advisory account must be approved by a home office supervisor.

### **Options:**

Options are complex securities that involve risks and are not suitable for many investors. Option trading can be speculative in nature and carry risk of loss of the entire premium invested. It is generally recommended that clients only invest in options with capital that they can risk. 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 called the expiration date. The two main 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. Buyers of calls have the expectation that the price of the underlying stock will increase before the option expires resulting in the value of the stock call option more valuable.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Buyers of puts have the expectation that the price of the stock will fall before the option expires resulting in the value of the stock put option more valuable.

Calton and its IARs do not recommend the purchases of calls and puts in discretionary investment advisory accounts. The client may purchase calls and puts on an unsolicited basis in his or her investment advisory account. However, if they client desires to use an active options strategy to purchase calls and puts, it should be done in a commission-based brokerage account. As a part of its portfolio management investment strategy, Calton and/or its IARs may recommend that the client sell covered calls against positions in the client's account to manage downside market risk and generate income returns.

### **Tax Implications:**

Certain strategies and investments may have unique and significant tax implications. Unless Calton and

the client agree in writing, tax efficiency is not the primary consideration in the management of the client's account. Calton recommends that clients consult with their own qualified tax professionals regarding the tax consequences in their accounts.

As a result of revised Internal Revenue Service ("IRS") regulations, custodians and broker-dealers were required to report the cost basis of securities acquired in clients' accounts on January 1, 2011. The custodian for the client's Calton account will automatically default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of the investments in clients' accounts. The client is responsible for contacting his or her tax advisor to determine if the FIFO accounting method is the right choice for the client. If the client's tax advisor believes another accounting method is more suited for the client, a written notice to Calton is required and Calton will notify the custodian of the selected accounting method. Deciding on which cost basis accounting method is preferred must be made prior to the settlement of transactions in the account. The cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves the potential risk of loss and the client should be prepared to bear the risk of account losses. Calton does not represent or guarantee that its investment advice, services or methods of analysis can or will be successful, predict future results, successfully identify market tops or bottoms, or prevent the risk of losses due to market corrections or declines.

Calton and/or its IARs cannot make any guarantees or promises that the client's goals and investment objectives will be met. Past performance is not a guarantee of future success or performance.

### **Recommendations of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, Calton and/or its IARs may recommend many types of securities. Calton and/or its IARs do not necessarily recommend one particular type of security over another since each client has different financial situations, investment objectives, investment experience, time horizons and tolerance for risk. Each type of security has its own risks. Similar investment types can have risks that vary widely. Generally, the higher the anticipated or expected return of an investment, the higher the potential risk of loss may be associated with it.

Calton and/or its IARs may recommend certain types of alternative investments. Generally, recommendations to alternative investments and strategies are for clients who have higher liquid net worth, have significant investment experience and the amounts are limited to certain percentages in the client's account. Clients investing in alternative investments and strategies will receive additional disclosure information regarding the risks involved with these types of investments.

For certain clients, Calton and/or its IAR may recommend a percentage of the client's portfolio be invested in illiquid or non-traded investment products, including Limited Partnerships, Direct Participation Programs ("DPPs"), Business Development Companies ("BDCs") and/or Real Estate Investment Trusts (REITs). Prior to recommending any non-traded investment products, Calton and/or its IAR will discuss with the client the differences and the risks associated with non-traded investments including the lack of liquidity and ability to sell the non-traded product. Calton and/or its IAR do not charge any commissions for the purchase of these types of products, and recommends only investment advisory share classes if they are purchased in fee-based investment advisory accounts.

## Item 9 - Disciplinary Information

On September 14, 2016, without admitting or denying the findings, Calton entered into an Acceptance, Waiver and Consent with FINRA and was fined \$5,000 based on findings that it failed to report transactions in Trade Reporting and Compliance Engine (TRACE)-eligible securitized products to TRACE within the time required by FINRA rule 6730(a).

On March 11, 2019, Calton signed a consent order with the SEC to cease and desist from committing or causing any violations and any future violations of sections 206(2) and 207 of the Investment Advisers Act of 1940. Calton was censured, and paid disgorgement of \$278,157.85 and prejudgment interest of \$26,886.76, and was required to take undertakings enumerated in the offer of settlement.

Calton elected to self-report under the SEC share class selection disclosure ("SCSD") initiative. as a result of the self-reporting, Calton consented to the SEC order. Calton was one of 79 investment advisers included in the SEC's initial release of SCSD orders. As ordered, beginning in June 2018, Calton adopted a policy of crediting back to each client's account any 12b-1 fees received by Calton or any of its representatives from the sale of mutual funds in investment advisory accounts.

The Order found that Calton breached its fiduciary duty to clients through inadequate disclosures in connection with the sale of mutual fund share classes and the 12b-1 fees Calton received between January 1, 2014 and June 7, 2018 (the "Relevant Period"). During the Relevant Period, Calton purchased, recommended, or held in clients' investment advisory accounts mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. During the Relevant Period, Calton received 12b-1 fees in connection with these investments. Calton failed to disclose on its Form ADV or otherwise the conflicts of interests related to (a) Calton's receipt of 12b-1 fees, and/or (b) Calton's selection of mutual fund share classes that paid 12b-1 fees.

On December 18, 2020, the firm was censured and fined \$18,000 and required to update its WSPs with respect to TRACE reporting. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it reported to TRACE customer allocation transactions in trace-eligible securitized products that should have been reported as block transactions. The findings stated that the firm executed block trades in trace-eligible securities with an investment advisor not affiliated with the firm. The block orders were then allocated to the investment advisor's customers' accounts, resulting in customer allocation transactions. The firm in turn reported to trace the customer allocation transactions when it should have only reported the block trades it executed with the investment advisor. The findings also stated that the firm failed to report to trace the correct capacity and/or commission for transactions in TRACE-eligible securities.

On May 18, 2021 Calton was censured, and fined \$250,000 and ordered to pay \$472,007.20, plus interest in restitution to customers and required to retain an independent outside consultant. During the period from February 2014 to February 2020, the firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with the suitability obligations in connection with sales to customers who purchased non-traditional and volatility-linked exchange traded products ("ETPs") in violation of NASD rule 3010(a) and FINRA rules 2111, 3110(a) and 2010. during the period from January 1, 2018 to June 21, 2018, the firm failed to offer retail customers educational materials prior to their first purchases of collateralized mortgage obligations ("CMOs") in violation of FINRA rules 2216(b)(2) and 2010, and failed to establish, maintain and enforce a supervisory system, including written supervisory procedures ("WSPs"), reasonably designed to achieve compliance with FINRA rule 2216(b)(2), in violation of FINRA rules 3110 and 2010. The firm also unreasonably assigned an individual to supervise a registered representative despite the presence of a conflict of interest, in violation of FINRA rules 3110(a)(6), 3110(b)(6), and 2010, and it allowed a non-registered person to accept and enter securities orders, in violation of NASD rule 1031

and FINRA rules 1210, 3110, and 2010. The firm has revised or is in the process of revising its WSPs, processes and supervisory systems to address the infractions related to non-traditional and volatility ETPs and offering to retail customers educational materials prior to their first purchase of CMOs. The firm has updated its supervisory system enabling it to identify and flag ETPs and CMOs transactions. The firm has remedied the conflict relating to supervision and the non-registered person no longer accepts and enters securities orders.

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

## **Item 10 - Other Financial Industry Activities and Affiliations**

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

In addition to being registered as a Registered Investment Adviser with the SEC, Calton is also registered as a broker-dealer with the SEC and is a member of FINRA and the Securities Investor Protection Corporation ("SIPC"). As an introducing broker, Calton executes the purchases and sales of securities for its brokerage clients on a commission basis.

IARs providing investment advice on behalf of Calton may also be RRs of Calton. Please refer to the "Fees and Compensation" section above for more information.

### **Corporate Insurance Agency and Licensed Insurance Agents**

In addition to being registered as a Registered Investment Adviser and broker/dealer, Calton is also licensed as a corporate insurance agency in states in which it conducts insurance business. IARs may also be licensed as independent insurance agents and recommend insurance products from a variety of insurance companies. IARs will earn commission-based compensation from the sales of insurance products to clients. Insurance commissions earned by IARs are separate from the investment advisory fees charged by Calton and/or the IARs. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with Calton.

### **Other Outside Business Activities**

Some IARs own or are affiliated with independent Registered Investment Adviser ("RIA") firms outside of Calton. These firms are not affiliated with Calton and their activities are not supervised by Calton. Typically, IARs that own or are affiliated with an independent RIA may offer and provide different investment advisory services and programs, including fee based financial planning services through the RIA. The investment advisory fees may be more or less than what Calton charges.

Investment advisory fees and financial planning services fees provided by the IAR through their own independent RIA are separate and distinct from any fees paid to Calton.

Clients that engage an IAR through an independent RIA firm will receive a copy of the independent outside RIA firm's disclosure documents.

Certain IARs may have other outside business activities and offer services, such as tax preparation, accounting, legal, real estate, employee benefits consulting or other businesses that are outside business activities from their registration as an IAR of Calton. Calton does not supervise or receive compensation from these other outside business activities conducted by the IARs. IARs engaging in these other outside business activities do so independently of their registration with Calton.

## **Recommendation of Other Advisers**

Calton may recommend that the client use a third party money manager ("TPMM") investment adviser based on the client's needs and best interests. Calton will receive compensation from the TPMM for recommending that the client use the TPMM's investment programs and services. To the extent Calton and/or its IARs share in the investment advisory fees the client pays to the TPMM, these compensation arrangements present a conflict of interest because Calton and its IARs have a financial incentive to recommend the services of the TPMM. Clients are not obligated, contractually or by agreement to use the services of any TPMMs recommend.

## **Unaffiliated Third Party Custodians**

Calton may recommend or require that clients establish investment advisory accounts with unaffiliated third party custodians and/or broker-dealers ("Custodians"), including but not limited to Hilltop Securities, Inc., National Financial Securities, Charles Schwab & Co., Inc., and TD Ameritrade to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with any Custodian is at the discretion of the client, including those accounts covered under ERISA or Internal Revenue Service ("IRS") rules governing Individual Retirement Accounts ("IRAs"). Custodians provide Calton with access to its institutional trading and custody services, which are typically not available to retail commission brokerage clients.

Custodians Calton has agreements with offer brokerage services, execution, custody, research, analyses and reports, and access to mutual funds and other investments that otherwise generally available would only be made available to institutional investors.

For Calton client accounts, the Custodians generally do not charge separately for their custody services, but they are compensated by account owners through commissions and/or or other transaction-related or asset-based fees for securities trades that are executed through the Custodian.

Custodians may also make available to Calton other products and services that benefit Calton, but may not benefit the client. These benefits may include national, regional or Calton specific educational events organized and/or sponsored by the Custodians. Other potential benefits may include occasional business entertainment of personnel of Calton by the Custodians, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities.

Additional products and services offered through Custodians assist Calton in managing and administering its clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Calton's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Calton's accounts, including accounts not maintained at Custodians. Custodians also make available to Calton other services intended to help Calton manage and further develop its business. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, insurance, and marketing. In addition, Custodians may make available, arrange and/or pay vendors for these types of services rendered to Calton by independent third parties.

Custodians may also discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Calton. As a fiduciary, Calton endeavors to act in its clients' best interests. Calton's recommendation or requirement that clients

maintain their assets in accounts at Custodians may be based in part on the benefit to Calton of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodians. Offering these additional services through Custodians may create a potential conflict of interest to Calton's clients.

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

### **Description of Calton's Code of Ethics**

Calton strives to comply with applicable laws, rules and regulations governing its business practices. Calton's Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Calton's goal is to protect the clients' best interests at all times and to demonstrate its commitment to the fiduciary duties of honesty, good faith, and fair dealing with the client. All persons associated with Calton are expected to adhere strictly to these guidelines. Calton's Code of Ethics also requires that certain persons associated with the firm periodically submit reports of their personal securities transactions and account holdings to the firm for review. Persons associated with Calton are also required to report any violations to the Code of Ethics. Calton maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about clients and their account holdings by persons associated with Calton.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting Calton at the telephone number on the cover page of this brochure.

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

It is Calton's policy that neither Calton or any persons associated with the firm have any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Calton and/or its IARs may buy or sell securities for clients at the same time Calton and/or its IARs buy or sell the same securities for our own accounts. Calton may also combine its orders to purchase securities with client orders to purchase securities known as block trading. Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists because Calton and/or its IARs have the ability to execute transactions ahead of the client and potentially receive more favorable execution prices than the client will receive. To eliminate this conflict of interest, it is Calton's policy that neither the firm or its IARs will have priority over client orders in the purchase or sale of securities.

## **Item 12 - Brokerage Practices**

While clients are free to choose any broker-dealer or other financial institution to open and hold the securities in their accounts and execute transactions, Calton uses the services of certain clearing firms and custodians to conduct its commission brokerage transactions and investment advisory transactions. Calton clears its brokerage transactions through Hilltop Securities, Inc. ("HTS") and National Financial Securities ("NFS") who maintain brokerage and investment advisory accounts on behalf of Calton and its clients. Calton also uses TD Ameritrade ("TDA") as a custodian for its investment advisory clients. Therefore, Calton and/or its IARs will primarily recommend the client to open an account through HTS,

NFS, or TDA to maintain an investment advisory relationship with Calton or its IARs. The clearing and custodian relationships Calton has with HTS, NFS, and TDA create a conflict of interest, as Calton and its IARs may receive incentives, including sharing in the expenses and fees charged to the client for recommending that the client maintain Calton accounts and the client may pay higher commissions, charges, fees and/or trading costs than may be available at other broker/dealers, clearing firms or custodians.

If the client desires to execute transactions through another broker/dealer, Calton will review the transactions for best execution. Price is not the sole factor Calton considers when evaluating for best execution. Calton also considers the broker/dealer's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services. In recognition of the value of research services and additional brokerage products and services the recommended broker-dealer or custodian provides, the client may pay higher commissions and/or trading costs than those that may be available elsewhere.

If the client engages the services of a TPMM investment adviser or participates in a TPMM program managed by a TPMM as described under the "Advisory Services" heading above, the client will be required to use the brokerage and/or custodial services of firms used by the TPMM investment adviser.

### **Research and Other Benefits**

Calton may receive benefits from recommending certain broker-dealer and/or custodians. These benefits do not depend on the amount of transactions Calton directs to the broker-dealer and/or custodian. These benefits may include:

1. A dedicated trading desk that services our clients, a dedicated service group and an account services manager dedicated to our accounts,
2. access to a real time order matching system,
3. ability to block client trades, electronic download of trades, balances and positions in the broker-dealer/custodian's portfolio management software,
4. access to an electronic interface with broker-dealer and/or custodian's software, duplicate and batched client statements, confirmations and year-end summaries, and
5. the ability to have investment advisory fees directly debited and deducted from client accounts (in accordance with federal and state requirements.)

Calton participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., ("TDA") member FINRA and SIPC and the National Futures Association. TDA is not affiliated with Calton. TDA offers services to independent Registered Investment Advisers, which include custody of securities, trade execution, clearance and settlement of transactions. Calton receives benefits from TDA. Therefore, Calton and/or its IARs have a conflict of interest for recommending that their clients maintain accounts with TDA through its participation in the Program. Calton may recommend TDA to clients for custody and brokerage services. There is no direct link between Calton's participation in the program and the investment advice Calton and/or its IARs give to our clients, but Calton and its IARs do receive economic benefits through its participation in the TDA platform program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount):

1. receipt of duplicate client statements and confirmations; research related products and tools;
2. consulting services;
3. access to a trading desk serving advisor participants;
4. access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);



5. the ability to have advisory fees deducted directly from client accounts;
6. access to an electronic communications network for client order entry and account information;
7. access to mutual funds with no transaction fees and to certain institutional money managers; and
8. discounts on compliance, marketing, research, technology, and practice management products or services provided to Calton by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services to the benefit of Calton and/or its IARs. Some of the products and services made available by TD Ameritrade through the program may benefit Calton and/or its IARs but may not benefit Calton's clients' accounts. These products or services may assist Calton and its IARs in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Calton and its IARs manage and further develop its business enterprise. The benefits received by Calton and/or its IARs through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Calton endeavors at all times to put the best interests of its clients first. Clients should be aware that the receipt of benefits by Calton and its IARs creates a conflict of interest and may indirectly influence our choice of using TD Ameritrade for custody and brokerage services for Calton's clients.

### **Directed Brokerage**

Depending on the particular asset management program that the client chooses the client may instruct Calton to use one or more brokers for the execution of transactions in their accounts. Some asset management programs require the client to use a particular broker/dealer in order to participate in the program. If the client chooses to direct Calton to use a particular broker, the client should understand that this might prevent Calton from aggregating trades with other client accounts. This practice may also prevent Calton from obtaining favorable net price and execution, negotiating commissions, obtaining volume discounts. Under these circumstances, the client may pay higher commission charges than other clients. When directing brokerage business, the client should consider whether the commission expenses, execution, clearance, and settlement capabilities obtained through the broker are acceptable and competitive in comparison to those that Calton would obtain.

### **Block Trading**

Calton may combine multiple orders for shares of the same securities purchased for investment advisory accounts it manages. This practice is referred to as "block trading". Calton will combine orders for clients' accounts held at the same custodian only. When block trading, Calton will distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to Calton's discretion regarding market fluctuations and conditions, Calton when combining orders each participating account will receive an average price per share for all transactions. Block trading does not reduce the clients' transaction costs.

Accounts traded at different custodians will typically receive different prices. In situations where a block order is only partially filled by the executing broker-dealer, Calton allocates the order to all participating accounts on a pro rata basis.

### **Trade Errors**

In the event a trading error occurs in a client's account, Calton's policy is to restore the account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of

the executing broker-dealer and the client does not keep the profit.

Calton is not responsible for account errors and/or losses that occur where Calton and/or its IARs have used their best efforts to execute trades in a timely and efficient manner. If a trade or some portion of a trade is not executed or an electronic system processing error occurs which results in the account not being traded at the same time or at the same price as others, and the occurrence is not a result of Calton's failure to execute or follow its trade procedures, the resulting loss will not be considered a trading error by Calton.

As disclosed in their prospectuses, mutual fund companies reserve the right to refuse to execute trades if in the mutual fund company's sole judgment, the trade(s) would jeopardize the value of the mutual fund. Calton has no authority to change, alter, amend or negotiate any provision in a mutual fund prospectus. Calton is not responsible for trades that are not properly executed by any clearing firm, custodian, mutual fund, or insurance company, when an order has been properly submitted by to Calton. Calton is not responsible for a unilateral adverse decision by a mutual fund or insurance company to restrict and/or prohibit mutual fund asset management programs.

Aggregated orders may include transactions for registered investment companies, employee benefit plans and private investments, including limited partnerships or limited liability companies in which Calton's principals or employees are among the investors, but these accounts will not be given preferential treatment.

### **Item 13 - Review of Accounts**

All investment advisory portfolio management accounts are monitored by the IAR assigned to the account either on an ongoing or periodic basis as agreed upon with the client. The IAR is required to meet with the client no less than annually. The client may request to meet with the IAR at any time. Calton has designated certain supervisors who are responsible for reviewing clients' accounts. The investment advisory account form is approved by a designated supervisor who is a principal of the firm. Designated supervisors will also review transactions in clients' account on an ongoing basis.

Clients will receive trade confirmations and monthly or quarterly statements from the clearing firm and/or custodian(s).

### **Item 14 - Client Referrals and Other Compensation**

As disclosed under the "Fees and Compensation" section in this brochure, IARs providing investment advice may also be licensed as RRs and insurance agents. For information on the conflicts of interest and how Calton addresses these conflicts, please refer to the "Fees and Compensation" section.

Calton directly compensates non-employee (outside) consultants, individuals, and/or entities for soliciting clients to Calton. In order to receive a solicitor's fee from Calton, solicitors must comply with the requirements of the jurisdictions in which they operate. If the client was referred to Calton by a Solicitor, the client is provided a copy of Calton's disclosure brochure along with the Solicitor's Disclosure Statement at the time of the referral. If the client becomes a Calton client, the Solicitor that referred you to Calton will generally receive either a percentage of the investment advisory fee the client pays to Calton for as long as the client maintains an account with Calton or until such time as the agreement with the Solicitor terminates. The Solicitor may receive a one-time, flat referral fee when the client signs the Investment Advisory Agreement with Calton. The client does not pay additional fees above Calton's investment advisory fees from the Solicitor's referral arrangement. Referral fees paid to a Solicitor are contingent upon the client entering into an Investment Advisory Agreement with Calton.

Calton and the Solicitor have a financial incentive to recommend Calton to the client for Calton's investment advisory services. This creates a conflict of interest, but the client is not obligated to retain Calton for investment 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. Calton requires Solicitors to disclose to Calton's client if the Solicitor has multiple referral relationships and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation may be less.

## **Item 15 - Custody**

As paying agent for Calton, the clients' custodian will directly debit clients' account(s) to pay investment advisory fees owed to Calton. The ability for Calton to deduct its investment advisory fees from clients' accounts means that Calton has custody over your funds or securities. Calton does not take or maintain physical custody of any of the funds and/or securities in the clients' accounts. Clients' funds and securities are held and maintained by banks, broker-dealers or qualified custodians. Clients will receive account statements from the qualified custodian(s) that hold and maintain the clients' accounts no less than quarterly. The account statements from the custodian(s) show the amount of the investment advisory fees deducted from clients' accounts for each billing period. The client should carefully review account statements for accuracy.

If clients have a question regarding your account statement or if the client did not receive a statement from the custodian, please contact Calton directly at the telephone number on the cover page of this brochure.

### **Wire Transfers and Standing Letters of Authorization**

Calton may execute wire transfers from clients' accounts to one or more third parties designated by the client provided the client has provided Calton with written consent to execute wire transfers. The client is required to sign a Standing Letter of Authorization for Calton to execute third-party wire transactions. An investment adviser with authority to execute third party wire transfers on a client's behalf has access to the client's assets, and therefore under SEC Investment Adviser Act rules has custody of the client's assets. Calton is not required to have surprise annual audits conducted by an independent accountant of its offices that is required to by investment advisers that have custody, as it qualifies for the exemption based on the following criteria:

1. Clients provide a written, signed instruction to the qualified custodian that includes the third-party's name and address or account number at a custodian;
2. The clients authorize Calton in writing to direct transfers to the third-parties either on a specified schedule or from time to time;
3. The client's qualified custodian verifies the client authorization (e.g., signature review) and provides a transfer of funds notice to the client promptly after each transfer;
4. The client can terminate or change the instruction;
5. Calton has no authority or ability to designate or change the identity of the third party, their address or any other information about the third party;
6. Calton maintains records showing that the third party is not a related party to Calton nor located at the same address as Calton; and
7. The client's qualified custodian sends each client an initial notice confirming the instruction and an annual notice reconfirming the client's instructions.

## **Item 16 - Investment Discretion**

The P-MAP program is offered on a discretionary basis only. The I-MAP program is offered on a discretionary or non-discretionary basis.

With respect to T-MAP program, the TPMM will actively manage the client's portfolio and will have discretionary investment authority over the client's account. Calton has discretionary authority to hire and fire the TPMMs and/or reallocate clients' assets to other TPMMs as may be appropriate.

The client must sign the Investment Advisory Agreement and open an account prior to Calton purchasing or selling securities in the client's account. The Investment Advisory Agreement authorizes Calton and/or its IAR to have discretion over the client's account. The client grants Calton and its IAR authority to have discretion over the selection and number of securities to be purchased or sold in the client's account(s) giving Calton and/or its IAR the ability to execute transactions without obtaining the client's consent or approval prior to each transaction. The client may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters on his or her account(s). For example, the client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

If the client enters into non-discretionary agreements with Calton and/or its IAR, Calton and its IAR will obtain the client's approval prior to the execution of any transactions in the client's account(s). The client does not have to implement any advice provided by Calton and/or its IARs on a non-discretionary basis.

## **Item 17 - Voting Client Securities**

Calton and its IARs do not vote proxies on the client's behalf. The client is responsible for receiving and voting proxies for the securities maintained in the client's account.

For T-MAP accounts, depending on the TPMM's proxy voting policies and procedures, the TPMM may require that the client appoint them as their agent and attorney-in-fact with discretion to vote proxies on the client's behalf. Please carefully review the TPMM's disclosure brochure to understand their proxy voting policies and procedures.

## **Item 18 - Financial Information**

Calton does not have any financial condition or impairment that would prevent the firm from meeting our contractual commitments to its clients. Calton does not take physical custody of client funds or securities or serve as trustee or signatory for clients' accounts. Calton does not require the prepayment of more than \$1,200 in investment advisory fees six or more months in advance. Calton has not filed a bankruptcy petition at any time in the past ten years. Therefore, Calton is not required to include a financial statement with its disclosure brochure.

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

Calton is registered with the SEC; therefore Item 19 does not apply to Calton.

## **Item 20 - Additional Information**

### **Client Privacy Information**

Calton views protecting clients' private information as a top priority. Pursuant to applicable privacy requirements, Calton has established policies and procedures to help ensure that Calton keeps its clients' confidential personal information private and secure.

Calton does not disclose any non-public personal information about its clients to any non-affiliated third parties, except as permitted by law. In the course of servicing clients' accounts, Calton may share clients' information with its service providers as may be necessary to open and maintain its clients' account(s), including with its clearing firms, custodians, broker/dealers, TPMMs, transfer agents, portfolio managers, technology firms, accountants, consultants, and attorneys.

Calton restricts internal access to non-public personal information about its clients to employees who need that information in order to provide products or services to the client. Calton maintains physical and procedural safeguards that comply with regulatory standards to guard clients' non-public personal information and to help ensure the client's confidentiality. Calton will not sell information about the client or his or her accounts to any other parties. Calton does not share client information unless it is required in order to process a transaction, at the client's request or required by law.

The client will receive a copy of our privacy notice prior to or at the time the Investment Advisory Agreement is signed with Calton. Thereafter, Calton will deliver a copy of the current Privacy Policy Notice to clients on an annual basis. Please contact Calton's main office at the telephone number on the cover page of this disclosure brochure regarding this policy.

### **Class Action Lawsuits**

Calton does not determine if securities held in clients' accounts are the subject of a class action lawsuit or whether the client is eligible to participate in class action settlements or litigation. Calton does not initiate or participate in litigation to recover damages on its clients' behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held in the client's accounts.

If Calton receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities of its clients, Calton will forward all notices, proof of claim forms and other materials to the clients. Electronic communication is permitted where appropriate, and the client has authorized Calton to contact him or her to send communications electronically.