

Sept. 8, 2020

Calton & Associates, Inc. ("CALTON", "we", "us", "Firm"), is registered with the Securities and Exchange Commission (SEC) as both a broker/dealer and an investment adviser and is a member of the Financial Industry Regulatory Authority (FINRA), and a member of the Securities Investor Protection Corporation (SIPC). Brokerage and investment advisory fees and services differ and it is important for you to understand the differences. Additionally, free and simple tools are available to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker/dealers, investment adviser representatives, and investing. This document is a summary of the services and fees we offer to "retail investors", which are natural persons who seek or receive services primarily for personal, family or household purposes.

WHAT INVESTMENT SERVICES AND ADVICE CAN CALTON PROVIDE ME?

We offer the following investment advisory and brokerage services to retail investors:

Brokerage Services:

As a broker-dealer, we offer brokerage services to retail investors that include buying and selling securities. We provide the ability to execute the purchase and sale of various types of securities and investments on your behalf, at your direction. We also offer investment recommendations and investment strategy recommendations, but you make the ultimate decision regarding the purchase or sale of investments.

Advisory Services:

As an investment adviser we provide Financial Planning Services, Portfolio Management Services, Selection of Third-Party Advisors, and we are the Sponsor and Manager of Wrap Fee Programs. We manage investment accounts on a *discretionary* basis whereby we *will decide* which investments to buy or sell for your account. You may limit our discretionary authority by providing written notification to the Firm. We also offer *non-discretionary* investment management services whereby we will provide advice, but *you will ultimately decide* which investments to buy and sell for your account.

Account Monitoring

- *Brokerage Services:* We do not provide account monitoring services for your brokerage accounts. Your Financial Professional may voluntarily review account holdings from time to time but these reviews are not an account monitoring service. If you prefer an on-going monitoring of your account(s) or investments, you should speak with your financial professional about whether an advisory services relationship is more appropriate for you.
- *Advisory Services:* If you open an investment account with our firm, as part of our standard service we will monitor your investments on an annual basis.

Investment Authority

- *Brokerage Services:* You make the ultimate decision regarding the purchase and sale of investments in your brokerage account(s).
- *Advisory Services:* We manage investment accounts on a discretionary basis whereby we will decide which investments to buy or sell for your account. We have discretion to select, retain or replace third-party managers to manage your accounts. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing. We also offer non-discretionary investment management services whereby we will provide advice, but you will ultimately decide which investments to buy and sell for your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Investment Offerings

- *Brokerage Services:* We offer the following types of investments or products: equity securities, corporate debt securities (other than commercial paper), commercial paper, CDs, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States government securities, options, money market funds, REITs, ETFs, Alternative Investments and Private Equity interests.

- *Advisory Services:* We offer advice on the following types of investments or products: equity securities, corporate debt securities (other than commercial paper), commercial paper, CDs, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States government securities, options, money market funds, REITs, ETFs, Alternative Investments and Private Equity interests.

Account Minimums & Other Requirements

- *Brokerage Services:* We do not require a minimum dollar amount to open and maintain a brokerage account. However, some investment products may have investment minimums.
- *Advisory Services:* In general, we do not require a minimum account size to open and maintain an advisory account. However, we do typically recommend a minimum investment of \$25,000 for this type of account.

Additional Information: For a description of each service listed above, refer to the disclosure on our website <https://www.calton.com/> and our Form ADV Part 2A Items 4, 7, 13, and 16 and Form ADV Part 2 Appendix

CONVERSATION STARTER:

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

WHAT FEES WILL I PAY?

Brokerage Services: In a brokerage account, you will incur transaction charges when you buy or sell securities, including:

- Commissions;
- Markups and markdowns.
- Upfront or ongoing fees that you pay to a mutual fund or other product issuer, a portion of which is paid to us in connection with your transaction.
- Handling and processing fees on each securities transaction.
- Transaction charges differ from one product to another which creates an incentive to recommend products that have higher transactions charges. You will incur greater total transaction charges when there are more trades in your account, which create an incentive to encourage you to trade more often.
- Depending upon your account and relationship, you may also incur periodic account maintenance or IRA custodial fees, service and account fees upon certain events or occurrences. You will incur interest charges if you borrow on margin using a securities-based loan in any of your accounts. Certain investments, such as mutual funds, have embedded fees that are generally paid by you to the companies that sponsor, manage and/or promote the investment.

Advisory Services: In an investment advisory account, you will incur advisory fees which are generally assessed quarterly at the rate you agreed upon with your financial professional. The principal fees and costs associated with an investment advisory account include:

- *Asset Based Fees* – Payable primarily quarterly in advance. Since the fees we receive are asset-based, we have an incentive to increase your account value which creates a conflict especially for those accounts holding illiquid or hard to value assets.
- *Performance-based Fees* - Payable Quarterly in arrears. Performance-based fees create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. Since we manage both accounts that charge a performance-based fee and accounts that are charged another type of fee, we have an incentive to favor accounts for which we receive a performance-based fee; and

- *Hourly Fees and Fixed Fees* – Payment arrangements negotiated on a case by case basis with each client.
- *Wrap Program Fees* – Payable primarily quarterly in advance. Asset-based fees associated with a wrap fee program generally include most transaction costs and fees to a broker-dealer or bank that has custody of the assets; therefore, the wrap program fee is higher than a typical asset-based advisory fee.
- *Other Advisory Fees* – An administrative fee may be charged in some advisory accounts. In addition to our fees, we are also compensated by advisory fees charged by third party money managers, which are separate and apart from our fees.
- Since our firm pays the transaction costs associated with securities transactions in your account, we may have an incentive to minimize the trading in your account.
- During periods of lower trading activity, the advisory fee may be higher than the transaction charges you would have paid in a brokerage account. To determine whether an investment advisory account is appropriate for you, you should carefully analyze the projected costs of an investment advisory account versus a brokerage account based on factor such as expected size, volume and frequency of transactions, projected holding period and the advisory services provided by your financial professional.

Additional Information: You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For detailed information, refer to our disclosures on our website <https://www.calton.com/> and refer to our Form ADV Part 2 by clicking this link. <https://adviserinfo.sec.gov/firm/brochure/20999>

 **CONVERSATION STARTER:**

- Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

WHAT ARE YOUR LEGAL OBLIGATIONS TO ME WHEN PROVIDING RECOMMENDATIONS AS MY BROKER-DEALER OR WHEN ACTING AS MY INVESTMENT ADVISER? HOW ELSE DOES YOUR FIRM MAKE MONEY AND WHAT CONFLICTS OF INTEREST DO YOU HAVE?

When we provide you with a recommendation as a broker dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you.

Here are some examples to help you understand what that means.

Brokerage Services

- CALTON may have an incentive to buy and sell securities more frequently in order to increase its compensation.
- CALTON may have an incentive to recommend that you select brokerage services over advisory services if CALTON believes commissions will generate more compensation.

Advisory Services

- CALTON may have an incentive to trade less frequently in order to maximize the profitability of its asset-based fee.
- CALTON may have an incentive to recommend that you select advisory services over brokerage services if CALTON believes the asset-based will generate more compensation.

The following are some specific conflicts to consider:

- **Dual Registration:** Certain individuals are registered as both registered representatives of our broker dealer and investment adviser representatives of our investment adviser or their own investment advisory firm. These persons receive compensation in connection with the purchase and sale of securities or other investment products and for providing investment advisory services. This practice may present a conflict of interest because they have an incentive to recommend both advisory services and investment products based on the compensation received.
- **Third-Party Payments:** Some of the representatives providing investment advice and/or brokerage services are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products which is separate and in addition to advisory fees and broker-dealer commissions. This practice presents a

conflict of interest because they have an incentive to recommend insurance products to you for the purpose of generating commissions.

- **Principal Trading:** We may buy securities from you or sell one to you from our own accounts (this is called “*acting as principal*”). In brokerage accounts we can earn a profit on these trades, so we have an incentive to encourage you to trade with us.

Additional Information: Refer to our disclosures on our website <https://www.calton.com/> and refer to our Form ADV Part 2 and Form ADV Part 2 Appendix 1 by clicking this link <https://adviserinfo.sec.gov/firm/brochure/20999> to help you understand what conflicts exist.



CONVERSATION STARTER:

- How might your conflicts of interest affect me, and how will you address them?

HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?

Most financial professional are compensated as a percentage of the revenue sources described below:

- Commissions, markups and markdowns earned in brokerage accounts, which vary by product.
- Ongoing fees from mutual fund and certain other product issuers
- Advisory fees which are generally assessed quarterly at the rate you agreed upon with your financial professional (based on our established fee schedule).
- Fees related to other products and services provided to you.

The percentage of revenue that your financial professional receives will generally increase as total revenue earned from their client accounts increases. *Therefore, financial professionals are incentivized to increase revenues on your and other client’s accounts.*

Our investment adviser representatives are compensated based on a quarterly fee as described above.

Our Brokerage representatives are compensated based on commissions earned from the investment products they sell.

DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE LEGAL OR DISCIPLINARY HISTORY?

Yes. Visit Investor.gov/CRS for a free and simple search tool to research us and financial professionals.



CONVERSATION STARTER:

- As a financial professional, do you have any disciplinary history? For what type of conduct?

ADDITIONAL INFORMATION

You can find additional information about our services on our website <https://www.calton.com/> and in our Form ADV Part 2 and Form ADV Part 2 Appendix 1 by clicking this link. <https://adviserinfo.sec.gov/firm/brochure/20999>.

You may also call 813-264-0440 to request up-to-date information and request a copy of this relationship summary.



CONVERSATION STARTER:

- Who is my primary contact person?
- Is he or she a representative of an investment adviser or a broker-dealer?
- Who can I talk to if I have concerns about how this person is treating me?