



# RMR WEALTH BUILDERS, INC.

## Wrap Fee Programs

### Pillar Customized Allocation Third-Party Manager as Sub-Advisor of the Pillar Portfolios

March 29, 2019

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## Form ADV Part 2A Appendix 1

This brochure provides information about the qualifications and business practices of RMR Wealth Builders, Inc ("RMR"). If you have any questions about the contents of this brochure, please contact us at 201.836.2460. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about RMR, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

RMR is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## Item 2: Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual update to this Wrap Fee Brochure, dated March 27, 2018, we have the following material changes to report as summarized below.

### Cover Page Changes:

- RMR made a change to the CCO. Steven Sergio is the new CCO. His additional title is Director of Compliance and Operations.

### Item 4 changes:

- The number of program services offered was reduced under "Description of Services". Instead of offering 4 program services, the Firm now offers 2, in order to simplify the communication of the services offered to clients. The programs offered are called Pillar Customized Allocation and Third-Party Manager as Sub-Advisor of the Pillar Portfolios. We also added language that explains the conflict of interest associated with these programs as wrap fee accounts.
- Under "Fees", we modified the maximum fee percentage that may be charged from 2.50% to 2.65%. We also provide the range of fees Third-Party Managers charge RMR, which is between 0.25% - 0.75%.
- The fee schedule clients will see in their contract with RMR was added and explained the fees seen in this schedule.
- "Account, Portfolio & Other Transaction Costs" was rewritten entirely. In this section we explain the conflict of interest associated with receiving 12b-1 fees and that we credit these fees back to clients holding 12b-1 fee paying funds.
- Under the section titled "Research and Other Benefits", the language that says we have access to block trading was removed and language was added that RMR has no formal soft dollars program.
- "Block Trades" was modified to say that We are not permitted to aggregate orders for block trading.

### Item 9 Changes:

- "Registration with Broker/Dealer" was retitled to "Individual IAR Registration with Calton as a Registered Representative" language was added that explains our credit back policy for 12b-1 fees.
- We added "Individual IAR Registration as IAR of Non-Affiliated Investment Adviser (Calton)" and Individual IAR registration as Insurance Agent Directly with Insurance Company, or Calton". These sections explain the capacity in which individuals affiliated with RMR can act and how they are compensated under each of those capacities.

#### **Individual IAR Registration with Calton as a Registered Representative**

*In addition to RMR being registered as an investment adviser, select employees, IARs & contractors of our firm may also be registered representatives with Calton which is a member FINRA and SIPC. As registered representatives of Calton we may engage in retail securities transactions for investment advisory and non-investment advisory clients, along with certain other activities normally associated with a broker/dealer. In their capacity, as registered representatives, these persons may receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Beginning in November 2017 RMR adopted a policy of crediting back to each client's account any 12b-1 fees or CDSCs received by Calton and paid to any of its registered representatives that are also licensed as IARs with RMR. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to any advisory fees.*

*This presents a conflict of interest when persons providing investment advice on behalf of our firm who are dual licensed as registered representatives receive a commission incentive to effect securities transactions that are suitability based rather than based on your best interests. Therefore, there is a conflict of interest and potentially a financial incentive to place trades in a brokerage account versus a custodial brokerage account advised by RMR. You are under no obligation, contractually or otherwise, to open or maintain a retail brokerage account with Calton. Further, you are under no obligation contractually or otherwise to open or maintain a custodial brokerage account with Calton that has RMR as your RIA. Should you choose to have both a retail brokerage account and a custodial brokerage account you should understand that RMR and the RMR IAR that is dual licensed will earn commissions on the retail brokerage account and advisory fees on the custodial brokerage account where RMR is your RIA. You are not obligated to open a retail brokerage account or a custodial brokerage account. You are free to open an account and purchase securities products through any broker/dealer or custodial broker/dealer not associated with Calton or RMR.*

**Individual IAR Registration as IAR of Non-Affiliated Investment Adviser (Calton)**

*IARs of Adviser may also be registered as IARs of Calton, which is a non-RMR affiliated Investment Adviser. IARs of RMR and Calton are required to provide you with a disclosure brochure, Form ADV Part 2A and supplement Form ADV Part 2B that will explain IARs registration and licenses with Calton as a broker/dealer, investment adviser or insurance agency.*

*As a non-affiliated company with its own platform of investment advisory services, Calton through the IARs it licenses also manage investment portfolios separate from RMR. The assets under management in any of the Calton programs that provide investment services are separate and distinct from the assets managed and reported by RMR. IARs associated with RMR that are also licensed as IARs of Calton that service clients of Calton as an Investment Adviser receive a portion of the fee that Calton client pays to Calton for its investment advisory services.*

*Although both RMR and Calton are required to provide investment advice that is in the best interest of their client a conflict of interest exists to the extent that the services offered by both RMR and Calton may be similar, but the fees and other costs Client pays for services may differ. IAR and RMR share in a portion of the investment advisory fee Client paid to Calton for Calton related investment advisory services.*

*IARs of RMR that are also IARs of Calton are required to always act in the best interest of their client, including when they recommend the investment advisory services of RMR over the investment advisory services of Calton.*

**Individual IAR registration as Insurance Agent Directly with Insurance Company, or Calton**

*IARs affiliated with RMR are also licensed as insurance agents. An IAR may be contract with an insurance company directly as an individual, as an agent of RMR's insurance agency or as an agent of Calton's insurance agency.*

*RMR does not recommend or sell life insurance, health insurance, disability insurance, long term care, or any other type of life insurance as an investment adviser. Any insurance commission paid to RMR directly from and insurance company or through Calton from the sale of a non-security life insurance product is separate an in addition to any investment advisory fee you pay RMR for investment advice.*

*Insurance commissions paid to an IAR directly appointed with an insurance company is paid directly to the IAR as an individual and no portion of that commission is shared with RMR unless the sale was made jointly by the IAR acting in the capacity of insurance agent and by an RMR contracted insurance agent and the insurance company has been informed in advance about the sharing of insurance commissions*

*and has approved the arrangement.*

*There is a conflict of interest whenever an IAR provides a service as an individual in a capacity that is not associated with providing investment advice and sells a product that is not a security, earns a commission separate and distinct from the investment advisory fee and the recommendation and sale is not covered by the best interest fiduciary standard as contained in the investment advisory contract between client and RMR for investment advisory services.*

*The conflict, simply stated, is that that IARs that provide investment advice on behalf of RMR who are also insurance licensed as individual are contracted separately through RMR or Calton have an incentive to recommend insurance products (that are not considered to be securities) for the purpose of generating commissions, thus potentially placing their and RMRs interest ahead of the best interest of the client.*

*Client is under no obligation contractually or otherwise to purchase any insurance product through any person associated with RMR.*

- "Recommendation of Other Advisers" has been rewritten but there were no material changes.
- We added where client can find an electronic version of this brochure under "Description of Our Code of Ethics".
- "Client Referrals and Other Compensation" was rewritten but there were no material changes.
- "Your Privacy" has been rewritten entirely. With RMR migrating client data to the cloud, we felt it necessary to modify the privacy section to provide additional clarity to clients.

### ***Your Privacy***

*Privacy and information security is taken seriously at RMR, and RMR seeks to keep all confidential client data secure in adherence with Regulation S-P. Regulation S-P requires RMR to make certain notices (see below) and adhere to specific restrictions on our ability to protect non-public personal information on our clients from unauthorized sharing or disclosure.*

### ***Regulation S-P/Information Security***

*Under Regulation S-P, RMR must provide our clients with a notice of our Privacy Policy and Practices, and we must not disclose non-public information about a client to nonaffiliated third parties (unless the institution has provided certain information to the client and the client has not elected to opt out of the disclosure). RMR will not sell or disclose non-public personal information to non-affiliated third-party marketing companies. Non-public personal information (confidential information) includes any information about our clients that is generally not available to the public including:*

- *Name and full social security number or Tax ID*
- *Name and account number together with a PIN or password*
- *Name and credit card number*
- *Confidential medical information*
- *Any combination of the above*

*The type of information we may collect on our clients includes the following:*

- *Information provided by clients contained on forms and applications as well as through verbal discussions. This could include SSN, name, address, birth date, assets, income, beneficiary information, employment, health, and other financial information.*
- *Account transaction history; inclusive of balances, positions owned, contributions, and withdrawals.*

- Information from unaffiliated third parties inclusive of employers, benefit plan sponsors, financial aggregators, and/or other institutions or individuals where a client may have a relationship.

There are some instances in which we may disclose information including the following:

- To conduct business related to client accounts with the account custodian utilized by our clients; outside investment advisers with whom we may establish client accounts; third party administrators; plans sponsors; mutual funds; insurance companies or agencies; or solicitors who help provide account related services.
- With auditors, regulators, non-regulatory industry licensing/registration entities, law enforcement organizations, court orders, subpoenas, other inquiries, or as permitted or required by law.
- Clients are not permitted to opt out of the sharing noted in this section.

RMR provides privacy statements to our clients, as mandated by Regulation S-P, at account inception and as amended by Advisor. This Privacy Notice is kept in a separate file and contains detailed information on our policy. The Privacy Notice provides clients with an overview of the how we collect, share, and protect their information. A copy of our Privacy Notice is also posted on our website: [www.rmrwealth.com](http://www.rmrwealth.com).

It is the policy of RMR to protect non-public personal information about our clients from unauthorized sharing or disclosure to other parties. Information security is maintained via the following security standards we have set to safeguard data and non-public information:

- Computers contain time-outs while running; each of which require passwords to re-authenticate the user after a time-out period (maximum 15 minutes).
- All client files and records are maintained within our office suites behind locked doors. Files will generally be kept in locked filing cabinets or locked drawers.
- We have contracted with a company that shreds unneeded documents for us. This is a licensed and bonded shredding company. Documents to be destroyed are kept in a locked bin within our office until picked up by the company.

Our employees are required to sign a document stating that they will maintain client confidentiality; even after they might leave their employment at RMR.

We continually monitor our employees to ensure that non-public information is kept private. This includes indirect monitoring of phone calls (by being in the same room), overhearing conversations, annual attestation, and review of emails and written correspondence. Collectively, these provide an ongoing test of our Privacy Policy. We will continually monitor this area and make the necessary adjustments based on revised regulations or the advice of our auditors to ensure compliance with this important requirement.

At least annually, the CCO of RMR will conduct a test of our privacy procedures. This test will be done without prior knowledge of our employees to help ensure that any discrepancies can be discovered and remedial actions subsequently addressed. The results of the test will be kept on file and reviewed with our employees.

### **Client Files**

We have done our best to protect our client files by maintaining them in a locked room. This room is locked each night to keep the files secure from public access. This room should protect general notes and records. There is no guarantee, of course, that some damage could result if a fire, bomb, or something else hit our building where these records are housed. Copies of all account opening

statements are available upon request from each of the sponsoring financial and insurance companies. Most important documents are imaged by our staff into a secure database (Sharepoint).

### **Computer Systems**

RMR utilizes a server based Local Area Network (LAN) and a cloud-based network that is accessible by employees of RMR and advisors affiliated with RMR. Accessibility of the cloud-based network is controlled by permissions. Permissions are granted based on the affiliated individuals' role within RMR.

RMR allows its employees and advisors to utilize either a laptop computer provided by RMR or a personal laptop computer that meets a defined set of criteria for business purposes. Each laptop computer is encrypted, and password protected. In addition, RMR has contracted a third-party IT service provider that monitors our laptop computers and systems.

RMR uses a primary server that is kept in a locked closet within our Teaneck, NJ office. When employees and advisors are in the Teaneck, NJ office, they will have access to the local server files based on each of their permissions level. The local server is not accessible remotely. Our offices are locked whenever the office staff is not present

The laptop computers on the LAN share a broadband Internet connection. The incoming signal passes through a router and hub that has built-in firewall technology. Each computer receives a distinct IP address when logging on to the Internet via the router connected to the hub. All computers on the LAN require a password to logon to the computer. In order to conduct business, we allow guests to access our internet from time to time. This internet is not connected to our internal LAN, which prevents guests from access local client files. Each laptop computer on the network has virus protection software stored on the local drive. The computer systems are regularly maintained to ensure that the hard drives and memory are functioning optimally. The cache for Temporary Internet Files may be periodically purged to limit the amount of "cookies" relating to client data and company websites.

To further protect data stored electronically, we have implemented an encryption system for files on our computers. Each computer is protected with encryption software. Note that client files are not stored "locally" on our desktop PCs. All client document folders are either uploaded to the cloud-based solution (Sharepoint). RMR is currently transitioning to Sharepoint. This requires us to move our client files from the local server and upload them individually to Sharepoint. We have client files stored in the local server and Sharepoint. As soon as this transition is completed, we will be removing the local server.

We require an annual attestation for each office to acknowledge that their offices are secure, and they are taking the necessary precaution with client data.

### **Regulation S-ID**

Accounts subject to Regulation S-ID would include any that permit multiple payments to third parties and has a "reasonable foreseeable risk" that someone could perpetrate an identity theft attack and/or defraud or use the investment adviser as a means to steal client funds from the account.

RMR has the ability to direct transfers or payments from accounts belonging to individuals to third parties (examples: banks, credit unions, escrow accounts, other persons, etc.) upon those individual's instructions. We realize that any transaction is susceptible to the same types of risk of fraud as faced by other financial institutions.

Thus, we have put in place certain procedures in an attempt to alleviate this risk.

- *When establishing a wire order, a verbal conversation is mandated with the client to confirm their request and to verify they are the one making the request. Once the intended wire has been verified, forms are provided to the client to authorize the wire. In some cases, this initial written set up can be used for subsequent verbal wire requests along with a verbal authorization from the client. Under no circumstances will a wire involving client funds or securities be made from an email request. We have had several circumstances for which we have received a suspicious email requesting a wire of funds. When this has occurred, we have promptly contacted the client to let them know we have received the suspicious email and make them aware that this could be problematic.*
- *On occasion we will receive a request from a client to issue a third-party check (a check to someone other than the account owner). In this case, a signed form from the client will be required. Once the form is properly completed, it will be submitted to the account custodian for processing. In some cases, the initial signed form can be used for subsequent requests to the same third party along with a verbal authorization from the client. When all documentation has been completed, the check can be issued.*
- *When setting up an ACH (automated clearing house) transfers or ongoing instructions, we talk with our client to confirm timing of the automatic transfer, the amount of the transfer and then provide the proper form necessary to set up the transfer. ACH set ups usually require a voided check and signed acknowledgement from the client. In some cases, we may be able to input the ACH set up electronically with information provided by the client. Once an ACH has been set up, subsequent requests can be made with verbal authorization from the client.*

*We recognize that in today's electronic/internet environment, much potential for abuse exists. We seek to do our best to stay cognizant and diligent in our efforts to lessen this risk.*

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## Item 4: Services, Fees, and Compensation

### Description of Services

RMR Wealth Builders, Inc. (hereinafter “RMR”) was founded in 1986 and incorporated in the state of New Jersey. Over 30 years old, our privately-owned Company, through its founding partners, embraced the discipline and practice that today define the alignment of fiduciary standards and professional principles. Our investment advisory services are designed to help its clients fulfill their financial goals. Clients are introduced to us by our experienced investment advisor representatives (hereinafter “IARs”) who are either employees or independent contractors that are licensed, supervised and approved by RMR. IARs perform a critical role in the introduction, communication, and management of your account.

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

We are the manager and program sponsor of two different wrap fee portfolio management programs. They are Pillar Customized Allocation (hereinafter “PCA”), and Third-Party Manager as Sub-Advisor of the Pillar Portfolios (hereinafter “TPSA”). A wrap fee program is a type of investment program that provides clients with access to portfolio management services for a single fee that includes our asset management fees and any securities execution transaction costs or commission. If you participate in our wrap fee program, we receive a portion of the single fee you pay for our services. The administrative fee charged by Calton & Associates, Inc. will be charged separately and paid for by Client. Additional charges that Client is responsible to pay include, but are not limited to, other administrative charges, other service provider related charges for, trade and margin extensions, transfer and ship, mailgrams, physical reorganization, legal return, bounced checks, stop payments, safekeeping or annual custody fees, default charges, reneges, debit interest, credit interest. The assets in these programs generally are custodied at National Financial Services, LLC (hereinafter “NFS”) where Calton & Associates, Inc. (hereinafter “Calton”) is the introducing broker/dealer and NFS is the clearing and custodial broker/dealer of record. Client investment accounts are managed according to the fee schedule described below in this Item 4 and more fully explained in your Client Contract with RMR. All fees are negotiable. The overall cost you will incur if you participate in our wrap fee program can be higher or lower than you might incur by separately purchasing the types of securities available in the program. The programs referenced below are offered to prospective and existing advisory clients with the option to make investment management services available to clients for a convenient single "wrap fee".

These programs create a potential conflict of interest between you and our firm. You should be aware that we could have a disincentive to purchase or sell securities in your account because we pay the transaction costs associated with trades directed to the custodian.

Your relationship begins with you providing information so we can assess your investment objectives, financial situation, risk tolerance, investment time horizon, and other relevant information. This information helps us in selecting and allocating assets based upon your investment objectives and best interests as follows:

**Capital Preservation:** A portfolio geared towards capital preservation invests predominately in the fixed income sleeve. This portfolio looks to minimize potential losses and is focused towards clients who like more protection from losses than a stock-invested portfolio may offer.

**Conservative:** This portfolio is suitable for clients whose primary concern is reducing the risk of their assets – such as those approaching retirement, or those who simply desire decreased risk of loss, but may desire some exposure to stocks in order to provide growth potential for their assets.

**Conservative Growth:** This portfolio is suitable for clients who want the potential for some growth of assets. The majority of assets are still invested in the fixed income sleeve, yet there is a reasonable amount of exposure to equity sleeves.

**Moderate:** This portfolio seeks capital preservation and growth of amount invested as near-equal objectives. It is suitable for clients who want the potential for higher returns possible from stocks over time but without extreme variations that can occur in the short term.

**Moderate Growth:** This portfolio is weighted more towards equity sleeves but has a significant amount of funds in the fixed income sleeve. It is suitable for clients that have medium to long term investment horizon.

**Growth:** This portfolio seeks growth of the amount invested by using equity focused sleeves, but tries to balance the risk by also placing a reasonable amount of funds in the fixed income sleeve. It is suitable for clients who are willing to accept some risk in exchange for the potential for higher returns provided by stocks over time.

**Aggressive:** This portfolio invests most of its assets in equity sleeves with only a small proportion invested in bonds. Its goal is to produce growth of the amount invested. It is suitable for clients who are willing to accept significant risk in exchange for the potential for higher returns provided by equities over time. Clients should typically have an investment time horizon of more than five years.

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

To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies, the brokerage commissions and other disclosed fee or expenses charged by Calton and/or NFS, and the advisory fees charged by RMR. Accordingly, a conflict of interest exists because our firm and our IARs could have a financial incentive to recommend PCA and TPSA as a non-wrap fee program. To learn more about wrap fee programs, ask your IAR to provide you with a copy of our Wrap Fee Brochure, which is Form ADV Part 2A Appendix 1.

#### **Pillar Customized Allocation (“PCA”)**

Your IAR will work with you to determine your risk tolerance, investment goals, time horizon and other relevant guidelines in order to help us develop, select and manage an investment portfolio consistent with Client’s best interest using a variety of security types, including, but not limited to, stocks, bonds, mutual funds, exchange traded-funds (“ETFs”), unit investment trusts, derivatives, and other investments discussed in Item 6 under Types of Investments. Your IAR may customize an investment portfolio or recommend one or more of RMR’s model portfolios in which IAR may make appropriate changes to the allocation, investments and holdings to align the model portfolio with Client’s stated investment criteria, written restrictions or other instructions received from the Client. The IARs typically acts as investment manager, with full investment discretion, although clients may also select a nondiscretionary Advisor Managed portfolio.

#### **Third-Party Manager as Sub-Advisor of the Pillar Portfolios (“TPSA”)**

Your IAR will work with you to determine your risk tolerance, investment goals, time horizon and other relevant guidelines. As overlay manager, RMR with the assistance of IAR will recommend, select, monitor, and replace if necessary Third-Party Manager as Sub-Advisor of the Pillar Portfolios (“TPSA”). TPSA offers a selection of model portfolios that use a variety of investment strategies described in Item 8 and in Independent Third-Party Manager’s Form ADV with varying levels of risk from which client can choose. TPSA assets are not managed by RMR or your IAR; rather, they are managed by one or more third-party asset managers on a discretionary basis. Account minimums for unaffiliated TPSA accounts generally range between \$25,000 and \$1,000,000. Third-Party Managed accounts must be managed with discretion.

#### **Trading Authorization**

TPSA investment accounts are offered only on a discretionary basis where RMR has the discretion to select and replace the investment manager and the investment manager has the discretion to select and manage the assets in Client’s investment account. PCA investment accounts are offered on either a discretionary or non-discretionary basis.

In a PCA investment account, RMR and your IAR are given the discretionary authority to manage your account including the authority and responsibility to formulate investment strategies on your behalf and execute the strategy with the purchase of any authorized investment. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment portfolio, without obtaining your prior consent or approval for each transaction.

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

If you enter into non-discretionary arrangements with our firm we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Fees

Our investment management fees are based on a percentage of assets under management (hereinafter "AUM"). The AUM fee is payable quarterly in advance and is computed as one-quarter of the annual fee, based on the AUM on the last business day of the previous calendar quarter. The total annual account fee (Wrap Fee) includes the transaction costs associated with purchasing and selling securities as described above under "Account, Portfolio & Other Transaction Costs". In the event a sub-advisor is selected to manage all or a portion of your investment account, it also includes any fees paid to the sub-advisors. The total amount of Wrap Fee is negotiable between the advisor and client subject to a maximum of 2.65% annually. In addition to the Wrap Fee, you may incur certain charges imposed by third parties in connection with investments, account holdings and account services in your account. These are referenced above under "Account, Portfolio, & Other Transaction Costs". Additionally, other charges you may incur include, but are not limited to, the following:

- Mutual fund or money market 12b-1 fees, transfer agent fees and distributor fees
- Mutual fund and money market management fees and administrative expenses
- Mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account
- IRA and qualified retirement plan fees
- Other charges that may be required by law

Third-Party Managers that are responsible for managing a portion of or all of your account, typically charges RMR between 0.25% – 0.75% of the advisory or other fee you pay to our firm, depending on the specific third-party manager disclosure and agreement.

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

In addition to the AUM fee client pays for PCA & TPSA, there is a Client Annual Administration Fee that is charged directly to the Client by Calton & Associates, Inc. and is not shared with RMR as Investment Adviser or IAR as investment manager. In no case will the Client Annual Administration Charge apply where an account value is under \$25,000 at account opening. In such cases, the account will become subject to the \$160 annual fee once its value exceeds \$40,000. The Client Annual Administration Charge accrues daily and is charged

quarterly.

	<b>Investment Account Assets Under Management (“AUM”)</b>	<b>Client Annual Administrative Fee</b>	<b>Client Annual AUM Fee</b>	<b>Maximum Allowed Annual AUM Fee</b>
First	\$0 - \$250,000	\$160		2.65%
Next	\$250,000			2.50%
Next	\$500,000			2.00%
Next	\$1,500,000			1.75%
Next	\$2,500,000			1.50%
Over	\$5,000,000			1.25%

### **Account, Portfolio & Other Transaction Costs**

Transaction costs are the costs associated with purchasing or selling securities and includes commissions, 12b-1 fees and transaction execution fees. Traditionally, RMR has credited back to your investment account any commissions or CDSC compensation received by Calton and paid to your IAR on securities that were purchased or transferred into your investment account. Beginning in November 2017 RMR adopted a policy of crediting back to each client's account any 12b-1 fees or CDSCs received by Calton and paid to any of its registered representatives that are also licensed as IARs with RMR. RMR adopted this policy to eliminate the conflicts of interests that previously existed in recommending that clients purchase classes of mutual funds that paid 12b-1 fees, when there existed a class of the same fund that did not pay such a fee or transfers into the investment account and security that is subject to a CDSC if sold in clients investment account.

Commissions or other compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. The receipt of any such compensation presents a conflict of interest because persons providing investment advice on behalf of RMR who are registered representatives of Calton have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. This conflict of interest persists despite the elimination of the conflict relating to 12b-1 fees discussed above. However, we evaluate each situation in order to avoid and manage such conflicts of interest. As part of our evaluation, we determine whether each proposed commission-paying transaction is suitable for you and is consistent with our obligation to act in your best interests. Furthermore, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm. When transferring securities into an account, you should consider and speak to your investment adviser representative about whether:

- a commission was previously paid on the security;
- you wish for the security to be managed as part of the account and be subject to an advisory fee; or
- you wish to hold the security in a brokerage account that is not managed and not subject to any advisory fee.

Other account, portfolio, and administrative charges may be charged to your account when applicable including but not limited to Custodian and other service provider related charges for administrative services, trade and margin extensions, transfer and ship, mailgrams, physical reorganization, legal return, bounced checks, stop payments, safekeeping or annual custody fees, default charges, reneges, debit interest, credit interest, and other billable or miscellaneous and/or administrative fees which are additional charges you may incur.

### **Additional Fees and Expenses**

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

## **Termination of Advisory Relationship**

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

## **Wrap Fee Program Disclosures**

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

## **Brokerage Practices**

Due to the administrative complications related to billing and reporting we require that Wrap Fee accounts be custodied and maintained at National Financial Services. This means that all trades will be executed in your brokerage account at Calton/NFS. In recommending Calton/NFS we have endeavored to select a broker/dealer that can provide best execution. In recognition of the value of research and other non-transactional services you may receive more or less services than those that may be available through Calton/NFS.

## **Research and Other Benefits**

We may receive certain benefits from Calton as your Broker/Dealer and NFS as your Custodian. These benefits do not depend on the amount of transactions we direct to the broker/dealer or custodian. These benefits may include but are not limited to; electronic access and download of trades, balances and positions, confirmation and statements in the broker/dealer or custodian's portfolio management software. Access to other related blotters, duplicate and batched client statements, confirmations and year-end summaries. A dedicated trading desk that services our clients, a dedicated service group and an account services manager dedicated to our accounts, access to a real time order matching system, access to mutual funds with no transaction fees and to select institutional money managers. Discounts on compliance, marketing, research, technology and practice management products or services provided to us by third party vendors and the ability to have advisory fees directly debited from client accounts in accordance with applicable federal and state requirements. As part of our fiduciary duty to clients we endeavor at all time to put the interest of clients first. However, you should be aware that the receipt of economic benefits in and of itself to us and our IARs creates a conflict of interest.

While RMR has no formal soft dollars program in which soft dollars are used to pay for third-party services. RMR may enter into soft dollar arrangements within (but not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and RMR does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. Should RMR enter into a soft-dollar arrangement RMR would benefit by not having to produce or pay for the research, products or services, and RMR would have an incentive to recommend a broker/dealer based on receiving research or services.

## **Directed Brokerage**

RMR's Wrap Fee program requires that you open and maintain a brokerage account through Calton which will be custodied at NFS. You should understand that this might prevent our firm from aggregating trades with other

accounts you may have with other broker/dealers and custodians. This practice may also prevent you from obtaining favorable net price and execution, negotiating commissions and obtaining volume discounts at other broker/dealers with whom you may have an account. Thus, when selecting a broker/dealer, you should consider whether the commission expenses, execution, clearance, settlement capabilities and other non-execution services that you will obtain through a broker/dealer other than Calton are adequately favorable in comparison to those that you would receive from Calton.

## **Block Trades**

NFS and Calton currently do not permit RMR to aggregate orders for the purposes of block trading.

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

A typical RMR client includes Individuals, Businesses, Charities, Foundations, Endowments, Pension Plans, and Trusts. Other types of clients may be considered.

### **Minimum Account Size**

There is no account minimum for RMR's services. However, there may be account minimums for certain products available for recommendation by RMR or your IAR.

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

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

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

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

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in Item 4 Fees and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

### **Methods of Analysis**

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

#### **Technical Analysis (a.k.a. "Charting")**

A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value. Instead, they use charts and other tools to identify patterns that can suggest future activity. When looking at individual equities, a person using technical analysis generally believes that performance of the stock, rather than performance of the company itself, has more to do with the company's future stock price. It is important to understand that past performance does not guarantee future results.

## **Fundamental Analysis**

A method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (e.g., the overall economy and industry conditions) and company-specific factors (e.g., financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis.

## **Qualitative Analysis**

An analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement, and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Some believe that it can also be used to predict real-world events, such as changes in a share price.

## **Cyclical Analysis**

A type of technical analysis that involves evaluating recurring price patterns and trends.

## **Investment Strategies**

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

## **Asset Allocation**

An investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset classes—equities (stocks), fixed income (bonds), and cash/cash equivalents—each of which has different risk and reward profiles/behaviors. Asset classes are often further divided into domestic and foreign investments, equities are often divided into small, intermediate, and large capitalization, and fixed income into short, intermediate, and long term durations. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions. By diversifying a portfolio of investments among a wide range of asset classes, advisors seek to reduce the overall volatility and risk of a portfolio through avoiding overexposure to any one asset class during various market cycles. Asset allocation does not guarantee a profit or protect against loss.

## **Capital Growth and/or Income Strategy**

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

## **Dollar Cost Averaging (“DCA”)**

The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. DCA is believed to lessen the risk of investing a large amount in a single investment at higher price. DCA strategies are not effective and do not prevent against loss in declining markets.

### **Long Term Purchases**

Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

### **Short Term Purchases**

Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### **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.

### **Margin**

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

### **Options Trading**

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

### **Frequent Trading**

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

### **Short Sales**

Where appropriate given your stated investment objectives and tolerance for risk, we can recommend and manage portfolios consisting of short securities, options, and margin. Clients participating in these types of portfolios will receive additional disclosure information regarding the risks involved with these types of investments. Unhedged, short selling is very risky. Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in

the market to his advantage. He makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling. We require pre-approval of a designated home office principal before a short-selling strategy, hedged or unhedged, can be implemented.

There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares.

However, his gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as he chooses to keep his short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back his loaned shares or issue a 'call away' to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up making huge losses.

### **Tax Implications**

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

Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Types of Investments**

RMR's suite of investment advisory and investment management services are designed to accommodate a wide range of investment philosophies and objectives. Clients have access to a wide selection of front-end and/or contingent deferred commissionable and non-commissionable product offerings and securities including, but not limited to, Commercial Paper, Certificates of Deposit, Load and No-Load Mutual Funds, Fixed Income Securities, Limited Partnerships in Real Estate, Oil, and Gas, Real Estate Investment Trusts, Limited Liability Companies, Business Development Companies, Insurance Products including Annuities (Fixed, Indexed, and Variable), Equities, Hedge Funds, Private Placements, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), Treasury Inflation Protected/Inflation Linked Bonds, Options, Warrants, Derivatives, Unit Investment Trusts, and Non-U.S. Securities some of which are described below and the others will be explained in more detail in a prospectus, offering circular and other documents and literature provided to you in advance of any recommendation.

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

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

### **Mutual Funds**

Mutual funds are SEC-registered open-end investment companies that pool money from many investors and invest these assets in a variety of investment vehicles including, but not limited to, stocks, bonds, short-term money-market instruments, or some combination of these investments. The combination of securities and assets held by the mutual fund are known as its portfolio. The portfolio is managed by an SEC-registered investment

adviser. Each mutual fund share represents an investor's proportionate ownership of the mutual fund's portfolio and the income the portfolio generates. Mutual funds are required by law to price their shares each business day and they typically do so after the major U.S. exchanges close. This price is called the NAV or Net Asset Value. Mutual funds must sell and redeem their shares at the NAV that is calculated after the investor places a purchase or redemption order. This means that, when an investor places a purchase order for mutual fund shares during the day, the investor will not know what the purchase price is until the next NAV is calculated.

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

ETFs are typically investment companies classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their NAV. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, such as gold and precious metals, are not registered as an investment company. ETFs may be closed and liquidated at the discretion of the issuing company.

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

An ETN is a 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 in that they are listed on an exchange and can typically be bought or sold throughout the trading day.

However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. 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. In addition, 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. ETNs may be closed and liquidated at the discretion of the issuing company.

### **Real Estate Investment Trusts (REITs)**

A REIT is a company that owns and typically operates income producing real estate or related assets and allows individuals to invest in these assets. These assets include, but are not limited to, office buildings, shopping malls, apartments, hotels, and resorts. REITs buy and develop properties to operate them as part of its own investment portfolio. An investor is able to earn income produced through residential or commercial real estate ownership without having to go out and buy individual properties.

### **Limited Partnerships, Limited Liability Companies, and Business Development Companies**

Limited Partnerships, Limited Liability Companies and Business Development Companies represent different forms of ownership of investment assets. These entities are investment vehicles that may own full or partial interest in various types of operating businesses. The types of operating businesses may include but are not limited to Equipment Leasing, Oil and Gas, Alternative Energy, and Real Estate.

### **Annuities**

Annuities are financial products that pay out a fixed stream of payments to an individual, primarily used as an income stream for retirees. The period of time when an annuity is being funded before the payouts begin is called the accumulation phase. The annuitization phase begins once payments commence. Annuities can be structured as fixed or variable. Fixed annuities provide regular periodic payments to the owner/annuitant. Variable annuities provide the owner/annuitant with the opportunity to receive larger periodic payments if the investments in the annuity do well, however, if the investments do poorly, the owner/annuitant will receive smaller payments.

## Options

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

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

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

The option trading risks pertaining to options buyers are:

Risk of losing your entire investment in a relatively short period of time.

The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).

European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.

Specific exercise provisions of a specific option contract may create risks.

Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

Selling options is more complicated and can be even riskier. The option trading risks pertaining to options sellers are:

Options sold may be exercised at any time before expiration.

Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.

Writers of Naked Calls risk unlimited losses if the underlying stock rises.

Writers of a Naked Put are exposed to a maximum loss of the strike price less the premium received from the sale.

Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.

Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.

Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised. Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.

Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.

The value of the underlying stock may surge or drop unexpectedly, leading to automatic exercises.

Other option trading risks are:

The complexity of some option strategies is a significant risk on its own.

Option trading exchanges or markets and option contracts themselves are open to changes at all times.

Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.

Risk of erroneous reporting of exercise value.

If an options brokerage firm goes insolvent, investors trading through that firm may be affected.

Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include: market risk, sector risk and individual stock risk. Option

trading risks are closely related to stock risks, as stock options are a derivative of stocks.

We require pre-approval of a designated home office principal before a naked option writing strategy can be implemented.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend many types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. Where appropriate, we may recommend and manage portfolios consisting of short leveraged ETFs, options, and margin. Clients participating in these types of portfolios will receive additional disclosure information regarding the risks involved with these types of investments.

When reviewing your investment objectives, we may recommend an investment in a Limited Partnership or similar type product (REITS). At that time, we explain in writing and discuss with you the differences in the investment process, and risk profile between an individually managed account and the partnerships. We will not receive any commissions for the purchase of these products if purchased under the management agreement.

### **Voting Client Securities**

For all the advisory services and programs offered through us, neither we, nor our IARs, have any authority to vote proxies on your behalf. You are solely responsible for receiving and voting proxies for the securities maintained within your account.

For TPSA investment accounts, depending on the TPSA's proxy voting policies and procedures, the TPSA may require that you appoint them as your agent and attorney-in-fact with discretion to vote proxies on your behalf. Please carefully review the TPSA's disclosure brochure to understand their proxy voting policies and procedures.

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

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

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

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

## Item 9: Additional Information

### **Individual IAR Registration with Calton as a Registered Representative**

In addition to RMR being registered as an investment adviser, select employees, IARs & contractors of our firm may also be registered representatives with Calton which is a member FINRA and SIPC. As registered representatives of Calton we may engage in retail securities transactions for investment advisory and non-investment advisory clients, along with certain other activities normally associated with a broker/dealer. In their capacity, as registered representatives, these persons may receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Beginning in November 2017 RMR adopted a policy of crediting back to each client's account any 12b-1 fees or CDSCs received by Calton and paid to any of its registered representatives that are also licensed as IARs with RMR. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to any advisory fees. This presents a conflict of interest when persons providing investment advice on behalf of our firm who are dual licensed as registered representatives receive a commission incentive to effect securities transactions that are suitability based rather than based on your best interests. Therefore, there is a conflict of interest and potentially a financial incentive to place trades in a brokerage account versus a custodial brokerage account advised by RMR. You are under no obligation, contractually or otherwise, to open or maintain a retail brokerage account with Calton. Further, you are under no obligation contractually or otherwise to open or maintain a custodial brokerage account with Calton that has RMR as your RIA. Should you choose to have both a retail brokerage account and a custodial brokerage account you should understand that RMR and the RMR IAR that is dual licensed will earn commissions on the retail brokerage account and advisory fees on the custodial brokerage account where RMR is your RIA. You are not obligated to open a retail brokerage account or a custodial brokerage account. You are free to open an account and purchase securities products through any broker/dealer or custodial broker/dealer not associated with Calton or RMR.

### **Individual IAR Registration as IAR of Non-Affiliated Investment Adviser (Calton)**

IARs of Adviser may also be registered as IARs of Calton, which is a non-RMR affiliated Investment Adviser. IARs of RMR and Calton are required to provide you with a disclosure brochure, Form ADV Part 2A and supplement Form ADV Part 2B that will explain IARs registration and licenses with Calton as a broker/dealer, investment adviser or insurance agency.

As a non-affiliated company with its own platform of investment advisory services, Calton through the IARs it licenses also manage investment portfolios separate from RMR. The assets under management in any of the Calton programs that provide investment services are separate and distinct from the assets managed and reported by RMR. IARs associated with RMR that are also licensed as IARs of Calton that service clients of Calton as an Investment Adviser receive a portion of the fee that Calton client pays to Calton for its investment advisory services.

Although both RMR and Calton are required to provide investment advice that is in the best interest of their client a conflict of interest exists to the extent that the services offered by both RMR and Calton may be similar, but the fees and other costs Client pays for services may differ. IAR and RMR share in a portion of the investment advisory fee Client paid to Calton for Calton related investment advisory services.

IARs of RMR that are also IARs of Calton are required to always act in the best interest of their client, including when they recommend the investment advisory services of RMR over the investment advisory services of Calton.

### **Individual IAR registration as Insurance Agent Directly with Insurance Company, or Calton**

IARs affiliated with RMR are also licensed as insurance agents. An IAR may be contract with an insurance company directly as an individual, as an agent of RMR's insurance agency or as an agent of Calton's insurance agency.

RMR does not recommend or sell life insurance, health insurance, disability insurance, long term care, or any other type of life insurance as an investment adviser. Any insurance commission paid to RMR directly from and insurance company or through Calton from the sale of a non-security life insurance product is separate an in

addition to any investment advisory fee you pay RMR for investment advice.

Insurance commissions paid to an IAR directly appointed with an insurance company is paid directly to the IAR as an individual and no portion of that commission is shared with RMR unless the sale was made jointly by the IAR acting in the capacity of insurance agent and by an RMR contracted insurance agent and the insurance company has been informed in advance about the sharing of insurance commissions and has approved the arrangement.

There is a conflict of interest whenever an IAR provides a service as an individual in a capacity that is not associated with providing investment advice and sells a product that is not a security, earns a commission separate and distinct from the investment advisory fee and the recommendation and sale is not covered by the best interest fiduciary standard as contained in the investment advisory contract between client and RMR for investment advisory services.

The conflict, simply stated, is that that IARs that provide investment advice on behalf of RMR who are also insurance licensed as individual are contracted separately through RMR or Calton have an incentive to recommend insurance products (that are not considered to be securities) for the purpose of generating commissions, thus potentially placing their and RMRs interest ahead of the best interest of the client.

Client is under no obligation contractually or otherwise to purchase any insurance product through any person associated with RMR.

### **Recommendation of Other Advisers**

We may recommend that you use the services of an independent third-party adviser under TPSA where RMR is the overlay adviser and your investment account is maintained at Calton/NFS. In such instances the compensation arrangement is solely with RMR and RMR will pay out of the fee you pay RMR for the services of third-party investment adviser.

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

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

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

To obtain an electronic version of our code of ethics, you will find it at [www.rmrwealth.com](http://www.rmrwealth.com).

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

It is our policy that neither our firm nor any persons associated with our firm have any material financial interests in client transactions beyond the provision of investment advisory services as disclosed in this wrap fee brochure. As such, it is our policy that RMR and its IARs may not share in the gains and losses associated with any purchase or sales of a security on your behalf.

## Personal Trading Practices

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

## Review of Accounts

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

Designated supervisors will also review transactions in each Client account on an ongoing basis and conduct account reviews annually.

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

## Client Referrals and Other Compensation

Advisor may compensate certain individuals or entities ("Solicitor/Advocates") for the referral of advisory clients to Advisor. As a consultant and independent contractor, and not as an employee of Advisor, the Solicitor/Advocate will use its best efforts to solicit and refer as clients to Advisor those individuals or entities which it believes are suitable and appropriate for the investment advisory services provided by Advisor. The Solicitor/Advocate does not have any authority to accept any client(s) on behalf of Advisor, and Advisor does not have any responsibility to accept any prospective client referred by the Solicitor/Advocate. Any prospective client which becomes a client of Advisor as a direct result of the Solicitor/Advocate's efforts is identified as a "Solicited Client." The Solicitor/Advocate's primary role is to introduce and assist each Solicited Client in establishing a relationship with Advisor; which will include introducing prospective clients and providing information about Advisor. The solicitation services may also include periodic contacts to update client information on behalf of Advisor. The Solicitor/Advocate will keep as confidential any client information obtained in connection with this agreement which will not be disclosed without the consent of the Solicited Client. For the solicitation services provided by the Solicitor/Advocate, Advisor will either pay a flat one-time fee for any solicited client or a percentage of all investment advisory fees received by Advisor from any Solicited Client over a time period agreed upon in the Solicitor/Advocate's Agreement with Advisor. This fee is not passed on to the client.

Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services.

Comparable services and/or lower fees may be available through other firms. Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements.

## Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual

commitments to you. In our Wrap Fee Programs, we do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this wrap fee program brochure.

## Disciplinary Information

There are no self-regulatory organization proceedings to report.

## Your Privacy

Privacy and information security is taken seriously at RMR, and RMR seeks to keep all confidential client data secure in adherence with Regulation S-P. Regulation S-P requires RMR to make certain notices (see below) and adhere to specific restrictions on our ability to protect non-public personal information on our clients from unauthorized sharing or disclosure.

## Regulation S-P/Information Security

Under Regulation S-P, RMR must provide our clients with a notice of our Privacy Policy and Practices, and we must not disclose non-public information about a client to nonaffiliated third parties (unless the institution has provided certain information to the client and the client has not elected to opt out of the disclosure). RMR will not sell or disclose non-public personal information to non-affiliated third-party marketing companies.

Non-public personal information (confidential information) includes any information about our clients that is generally not available to the public including:

- Name and full social security number or Tax ID
- Name and account number together with a PIN or password
- Name and credit card number
- Confidential medical information
- Any combination of the above

The type of information we may collect on our clients includes the following:

- Information provided by clients contained on forms and applications as well as through verbal discussions. This could include SSN, name, address, birth date, assets, income, beneficiary information, employment, health, and other financial information.
- Account transaction history; inclusive of balances, positions owned, contributions, and withdrawals.
- Information from unaffiliated third parties inclusive of employers, benefit plan sponsors, financial aggregators, and/or other institutions or individuals where a client may have a relationship.

There are some instances in which we may disclose information including the following:

- To conduct business related to client accounts with the account custodian utilized by our clients; outside investment advisers with whom we may establish client accounts; third party administrators; plans sponsors; mutual funds; insurance companies or agencies; or solicitors who help provide account related services.
- With auditors, regulators, non-regulatory industry licensing/registration entities, law enforcement organizations, court orders, subpoenas, other inquiries, or as permitted or required by law.
- Clients are not permitted to opt out of the sharing noted in this section.

RMR provides privacy statements to our clients, as mandated by Regulation S-P, at account inception and as amended by Advisor. This Privacy Notice is kept in a separate file and contains detailed information on our policy. The Privacy Notice provides clients with an overview of the how we collect, share, and protect their information. A copy of our Privacy Notice is also posted on our website: [www.rmrwealth.com](http://www.rmrwealth.com).

It is the policy of RMR to protect non-public personal information about our clients from unauthorized sharing or disclosure to other parties. Information security is maintained via the following security standards we have set to safeguard data and non-public information:

- Computers contain time-outs while running; each of which require passwords to re-authenticate the user after a time-out period (maximum 15 minutes).
- All client files and records are maintained within our office suites behind locked doors. Files will generally be kept in locked filing cabinets or locked drawers.
- We have contracted with a company that shreds unneeded documents for us. This is a licensed and bonded shredding company. Documents to be destroyed are kept in a locked bin within our office until picked up by the company.

Our employees are required to sign a document stating that they will maintain client confidentiality; even after they might leave their employment at RMR.

We continually monitor our employees to ensure that non-public information is kept private. This includes indirect monitoring of phone calls (by being in the same room), overhearing conversations, annual attestation, and review of emails and written correspondence. Collectively, these provide an ongoing test of our Privacy Policy. We will continually monitor this area and make the necessary adjustments based on revised regulations or the advice of our auditors to ensure compliance with this important requirement.

At least annually, the CCO of RMR will conduct a test of our privacy procedures. This test will be done without prior knowledge of our employees to help ensure that any discrepancies can be discovered and remedial actions subsequently addressed. The results of the test will be kept on file and reviewed with our employees.

### **Client Files**

We have done our best to protect our client files by maintaining them in a locked room. This room is locked each night to keep the files secure from public access. This room should protect general notes and records. There is no guarantee, of course, that some damage could result if a fire, bomb, or something else hit our building where these records are housed. Copies of all account opening statements are available upon request from each of the sponsoring financial and insurance companies. Most important documents are imaged by our staff into a secure database (Sharepoint).

### **Computer Systems**

RMR utilizes a server based Local Area Network (LAN) and a cloud-based network that is accessible by employees of RMR and advisors affiliated with RMR. Accessibility of the cloud-based network is controlled by permissions. Permissions are granted based on the affiliated individuals' role within RMR.

RMR allows its employees and advisors to utilize either a laptop computer provided by RMR or a personal laptop computer that meets a defined set of criteria for business purposes. Each laptop computer is encrypted, and password protected. In addition, RMR has contracted a third-party IT service provider that monitors our laptop computers and systems.

RMR uses a primary server that is kept in a locked closet within our Teaneck, NJ office. When employees and advisors are in the Teaneck, NJ office, they will have access to the local server files based on each of their permissions level. The local server is not accessible remotely. Our offices are locked whenever the office staff is not present

The laptop computers on the LAN share a broadband Internet connection. The incoming signal passes through a router and hub that has built-in firewall technology. Each computer receives a distinct IP address when logging on to the Internet via the router connected to the hub. All computers on the LAN require a password to logon to the computer. In order to conduct business, we allow guests to access our internet from time to time. This internet is not connected to our internal LAN, which prevents guests from access local client files. Each laptop computer on the network has virus protection software stored on the local drive. The computer systems

are regularly maintained to ensure that the hard drives and memory are functioning optimally. The cache for Temporary Internet Files may be periodically purged to limit the amount of “cookies” relating to client data and company websites.

To further protect data stored electronically, we have implemented an encryption system for files on our computers. Each computer is protected with encryption software. Note that client files are not stored “locally” on our desktop PCs. All client document folders are either uploaded to the cloud-based solution (Sharepoint). RMR is currently transitioning to Sharepoint. This requires us to move our client files from the local server and upload them individually to Sharepoint. We have client files stored in the local server and Sharepoint. As soon as this transition is completed, we will be removing the local server.

We require an annual attestation for each office to acknowledge that their offices are secure, and they are taking the necessary precaution with client data.

## Regulation S-ID

Accounts subject to Regulation S-ID would include any that permit multiple payments to third parties and has a “reasonable foreseeable risk” that someone could perpetrate an identity theft attack and/or defraud or use the investment adviser as a means to steal client funds from the account.

RMR has the ability to direct transfers or payments from accounts belonging to individuals to third parties (examples: banks, credit unions, escrow accounts, other persons, etc.) upon those individual’s instructions. We realize that any transaction is susceptible to the same types of risk of fraud as faced by other financial institutions.

Thus, we have put in place certain procedures in an attempt to alleviate this risk.

- When establishing a wire order, a verbal conversation is mandated with the client to confirm their request and to verify they are the one making the request. Once the intended wire has been verified, forms are provided to the client to authorize the wire. In some cases, this initial written set up can be used for subsequent verbal wire requests along with a verbal authorization from the client. Under no circumstances will a wire involving client funds or securities be made from an email request. We have had several circumstances for which we have received a suspicious email requesting a wire of funds. When this has occurred, we have promptly contacted the client to let them know we have received the suspicious email and make them aware that this could be problematic.
- On occasion we will receive a request from a client to issue a third-party check (a check to someone other than the account owner). In this case, a signed form from the client will be required. Once the form is properly completed, it will be submitted to the account custodian for processing. In some cases, the initial signed form can be used for subsequent requests to the same third party along with a verbal authorization from the client. When all documentation has been completed, the check can be issued.
- When setting up an ACH (automated clearing house) transfers or ongoing instructions, we talk with our client to confirm timing of the automatic transfer, the amount of the transfer and then provide the proper form necessary to set up the transfer. ACH set ups usually require a voided check and signed acknowledgement from the client. In some cases, we may be able to input the ACH set up electronically with information provided by the client. Once an ACH has been set up, subsequent requests can be made with verbal authorization from the client.

We recognize that in today’s electronic/internet environment, much potential for abuse exists. We seek to do our best to stay cognizant and diligent in our efforts to lessen this risk.

## Trade Errors

In the event a trading error occurs in your account, and it is the fault of RMR or the RMR IAR it is our policy is to restore your 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 you will not keep the profit.

We are not responsible for account errors and/or losses that occur where we have used our best efforts (without direct failure on our part) to execute trades in a timely and efficient manner. If a trade or some portion of a trade is not effected or an electronic "glitch" occurs which results in the account not being traded at the same time or at the same price as others, and such occurrence is not a result of our failure to execute or follow its trade procedures, the resulting loss will not be considered a trading error for which we are responsible. In addition, virtually all mutual funds, as disclosed in their prospectuses, reserve the right to refuse to execute trades if, in a fund's sole judgment, the trade(s) would jeopardize the value of the fund. We have no authority to change, alter, amend, or negotiate any provision set forth in a mutual fund prospectus. We are 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 our firm. Finally, we are not responsible for a unilateral adverse decision by a mutual fund or insurance company to restrict and/or prohibit mutual fund asset management programs.

## Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

If we receive written or electronic notice of a class action lawsuit, settlement or verdict affecting securities you own, we will forward all notices, proof of claim forms and other materials, to you. Electronic mail is acceptable where appropriate, and you have authorized contact in this manner.