



RMR WEALTH BUILDERS, INC.

Wrap Fee Programs

**Pillar Customized Allocation
Pillar Portfolios Allocation
Pillar Strategies Allocation
Pillar Third-Party Manager Allocation**

March 27, 2018

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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.

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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Securities offered through Calton & Associates, Inc. member FINRA & SIPC. Advisory services offered through Calton & Associates, Inc. and RMR Wealth Builders, Inc. registered investment advisers. RMR Wealth Builders, Inc. and Calton & Associates, Inc. are separate entities. Representatives of Calton & Associates, Inc. and RMR Wealth Builders, Inc. do not provide legal or tax advice.

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.

This Wrap Fee Brochure was updated on March 27, 2018, providing information that is different from our previous brochure dated March 30, 2017. The following is a summary of the more significant updates that were made to the Wrap Fee Brochure:

- The date of this Wrap Fee Brochure was changed from March 30, 2017 to March 27, 2018.
- Item 4 “**Description of Services**”, “**Trading Authorization**”, & “**Brokerage Practices**” were updated to list our rebranded program services.
- Item 4, “**Brokerage Practices**” and “**Directed Brokerage**” were revised.
- In Item 6 was updated to list our rebranded program services in the introduction and under “**Voting Client Securities**”.
- Item 6 formatting was modified to clearly lay out types of investments, methods of analysis, and investment strategies.
- Item 9 was “**Registration with Broker/Dealer**” was revised.

Item 3 Table of Contents

Item 2 Material Changes.....	2
Item 3 Table of Contents.....	3
Item 4 Services, Fees, and Compensation.....	5
Description of Services.....	5
Pillar Customized Allocation.....	6
Pillar Portfolios Allocation.....	6
Pillar Strategies Allocation.....	6
Pillar Third-Party Manager Allocation.....	6
Trading Authorization.....	7
Account, Portfolio & Other Transaction Costs.....	7
Fees.....	7
Termination of Advisory Relationship.....	8
Wrap Fee Program Disclosures.....	8
Additional Fees and Expenses.....	8
Brokerage Practices.....	8
Research and Other Benefits.....	9
Directed Brokerage.....	9
Block Trades.....	9
Item 5 Account Requirements and Types of Clients.....	9
Item 6 Portfolio Manager Selection and Evaluation.....	10
Types of Investments.....	10
Options.....	12
Short Sales.....	13
Performance-Based Fees and Side-by-Side Management.....	14
Our Methods of Analysis and Investment Strategies.....	14
Fundamental Analysis.....	14
Quantitative Analysis.....	14
Cyclical Analysis.....	14
Asset Allocation.....	14
Capital Growth and/or Income Strategy.....	15
Dollar Cost Averaging (“DCA”).....	15
Long Term Purchases.....	15
Short Term Purchases.....	15

Short Sales.....	15
Margin Transactions.....	15
Options Writing.....	15
Frequent Trading.....	15
Tax Implications.....	16
Risk of Loss.....	16
Recommendation of Particular Types of Securities.....	16
Voting Client Securities.....	16
Item 7 Client Information Provided to Portfolio Managers.....	17
Item 8 Client Contact with Portfolio Managers.....	17
Item 9 Additional Information.....	17
Registration with Broker/Dealer.....	17
Insurance Producer.....	17
Recommendation of Other Advisers.....	18
Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.....	18
Description of Our Code of Ethics.....	18
Participation or Interest in Client Transactions.....	18
Personal Trading Practices.....	18
Review of Accounts.....	18
Client Referrals and Other Compensation.....	19
Financial Information.....	19
Disciplinary Information.....	19
Your Privacy.....	19
Trade Errors.....	20
Class Action Lawsuits.....	20

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. RMR's investment advisory services are designed to help its clients fulfill their financial goals. The firm conducts business throughout the United States through investment advisor representatives (hereinafter "IARs") who are either employees or independent contractors associated with the Firm.

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 to the Pillar Customized Allocation, Pillar Portfolios Allocation, Pillar Strategies Allocation, and select Pillar Third-Party Managed Allocation accounts custodied at National Financial Services where Calton & Associates, Inc. (hereinafter "Calton") is the Broker/Dealer of record. Client accounts are managed according to the fee schedule set forth in Appendix A, which includes both investment management and securities transaction/commission costs. The programs referenced above 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". Depending upon the number of transactions executed in your account, the overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities.

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 best interests.

We provide a wide range of investment portfolios for different risk tolerances to meet various individual objectives. These include:

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. You may limit our authority to build portfolios, select securities and execute transactions by providing our firm with a list of any restrictions and guidelines in writing.

Pillar Customized Allocation

Your IAR will help you determine your risk tolerance, investment goals, and other relevant guidelines in order to help us develop, select and manage an investment portfolio 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](#). The IARs typically acts as investment manager, with full investment discretion, although clients may also select a nondiscretionary Advisor Managed portfolio.

Pillar Portfolios Allocation

Your IAR will help you determine your risk tolerance, investment goals, and other relevant guidelines in order for RMR and RMR’s Investment Committee develop, select and manage an investment portfolio including but not limited to, ETF’s, stocks, bonds, mutual funds, and unit investment trusts, derivatives, and other investments discussed in [Item 6](#) under [Types of Investments](#). In this instance RMR and RMR’s Investment Committee act as the investment manager with full discretion.

Pillar Strategies Allocation

Pillar Strategies Allocation enables our IARs to recommend that the investment selection and trading of client securities be conducted in a Separately Managed Account and outsourced to RMR and RMR’s Investment Committee or an approved third-party manager acting in the capacity of co-advisor or sub-advisor to RMR. Pillar Strategies Allocation are Separately Managed Accounts comprised primarily of equities or fixed income investments but is not be limited to those securities and may include other types of securities including but not limited to, ETF’s, stocks, bonds, mutual funds, and unit investment trusts, derivatives, and other investments discussed in [Item 6](#) under [Types of Investments](#). Pillar Strategies Allocation accounts must be managed with discretion. Your IAR will help you determine your risk tolerance, investment goals, and other relevant guidelines in order to help us select a third-party manager based on your investment needs. On a periodic basis, we will monitor and evaluate the third-party manager. If necessary, we will replace the third-party manager if they no longer meet your performance objectives and other selection criteria.

Pillar Third-Party Manager Allocation

Pillar Third-Party Manager Allocation (“PTMA”) enables our IARs to recommend that RMR and RMR’s Investment Committee select for our client an independent third-party asset manager to develop, select and manage an investment portfolio using a variety of investment strategies which can include quantitative analysis if that service is described in their ADV. Your IAR will help you determine your risk tolerance, investment goals, and other relevant guidelines in order to help us select a third-party manager based on your investment needs. PTMA offers a variety of model portfolios with varying levels of risk from which client can choose. PTMA assets are not managed by RMR; rather, they are managed by one or more third-party asset managers on a discretionary basis. Account minimums for unaffiliated PTMA accounts generally range between \$25,000 and \$1,000,000. Third-Party Managed accounts must be managed with discretion.

Trading Authorization

Pillar Portfolios Allocation, Pillar Strategies Allocation & Pillar Third-Party Manager Allocation are offered only on a discretionary basis. Pillar Customized Allocation portfolios are on either a discretionary or non-discretionary basis.

Given the discretionary authority to manage your account, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment 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.

Account, Portfolio & Other Transaction Costs

Transaction costs are the costs associated with purchasing or selling securities. In our Wrap Fee Programs, any transaction costs associated with the purchase or sale of a security in your portfolio are included or wrapped into the advisory fee we charge client. 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.

Fees

Our investment management fees are based on a percentage of assets under management (AUM). The investment management 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 an investment sleeve 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 2.50% 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, may receive a portion 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.

Termination of Advisory Relationship

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

Wrap Fee Program Disclosures

- You should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately and/or from other advisers or broker/dealers.
- We 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 Advisor Managed, Pillar Portfolios, Pillar Strategies and Third-Party Managed.
- These programs may create a potential conflict of interest between you and our firm. You should be aware that we may have a disincentive to purchase or sell securities in your account because we pay the transaction costs associated with trades directed to the custodian.

Additional Fees and Expenses

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

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 NFS, Calton & Associates, Inc., or other approved custodians. 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 block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts), 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 in our choice to use Calton, NFS or other approved custodians.

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

We have the option to combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will only combine orders for accounts held at the same custodian. When block trading, we will distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions. Block trading does not reduce your transaction costs.

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

Aggregated orders may include transactions for registered investment companies, employee benefit plans and private investment vehicles (e.g. limited partnerships or limited liability companies) in which our principals or employees are among the investors; however, these accounts will not be given preferential treatment.

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 Pillar Customized Allocation, Pillar Portfolios Allocation, separate accounts managed by RMR under Pillar Strategies Allocation, and Pillar Third-Party Manager Allocation 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.

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 full spectrum of investment products, including, but not limited to traditional types of investments such as, Load and No-Load Mutual Funds, Fixed Income Securities, Real Estate Investments (including but not limited to Real Estate Investment Trusts, Limited Partnerships, and 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.

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

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.

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.

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.

Our Methods of Analysis and Investment Strategies

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

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.

Quantitative 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.

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.

Short Sales

A securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

Margin Transactions

A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Options Writing

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

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.

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

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.

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 Pillar Third-Party Manager Allocation accounts, depending on the TPA's proxy voting policies and procedures, the TPA 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 TPA'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

Registration with Broker/Dealer

In addition to being registered as an investment adviser, 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 our individual capacity as registered representatives, we may receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees when business is conducted for a client of the Broker/Dealer who has a retail account that is not under contract with RMR to provide investment advice. Compensation earned by us in our individual capacity as registered representatives of record on non-advised brokerage accounts is separate and in addition to any advisory fee earned on a customer that may also have an advisory relationship with RMR and a custodial brokerage account associated with an investment adviser relationship. This may present a conflict of interest because persons providing investment advice on behalf of our firm who are dual licensed as registered representatives may have 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.

Insurance Producer

Select IARs may be appointed and licensed with RMR's insurance agency to offer and sell insurance products from a variety of product sponsor. These IARs may earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from, and are in addition to, our advisory fees. This may present a conflict of interest because persons providing investment advice on behalf of RMR who are dual licensed as registered representatives may have a commission incentive to effect insurance transactions that are suitability based rather than based on your best interests. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with RMR.

Recommendation of Other Advisers

We may recommend that you use the services of an independent third-party adviser. In the event that we recommend you use the services of a third-party adviser, the fee charged by that third-party adviser will be paid by RMR out of the wrap fee that was referenced in the contract you signed with RMR. In such instances the compensation arrangement will be disclosed in the RMR Form ADV, RMR Contract, and Form ADV of the third-party adviser. You are not obligated, contractually or otherwise, to use the services of any third-party adviser we recommend.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our 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.

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

As disclosed under the "Fees and Compensation" section in this wrap fee program brochure, persons providing investment advice on behalf of our firm may be licensed insurance agents and registered representatives. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section. We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this wrap fee program brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will typically receive either a percentage of the advisory fee you pay our firm for as long as you are a client with our firm or until such time as our agreement with the Solicitor expires, or a one-time, flat referral fee upon your signing an advisory agreement with our firm or some alternative arrangement. You will not pay any additional fee to RMR above what you have agreed to in our sign contract. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm.

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

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

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

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure. We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as disclosed in our privacy statement that is delivered annually and as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, portfolio managers, technology firms, custodians, broker-dealers, accountants, consultants, and attorneys. We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law. You will receive a copy of our privacy notice prior to

or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this wrap fee program brochure if you have any questions regarding this policy.

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.