

**Calton & Associates, Inc.**  
Revised December 31, 2021  
**FORM CRS**  
**CLIENT RELATIONSHIP SUMMARY**

Calton & Associates, Inc. ("Calton") is registered with the Securities and Exchange Commission ("SEC") as both a broker/dealer and an Investment Adviser and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Calton provides investment advisory and brokerage services. Brokerage and investment advisory services and fees differ and it is important for you to understand the differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker/dealers, investment advisers, and investing.

### **WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE ME?**

Calton provides both brokerage and investment advisory services to clients. The main types of services and accounts that Calton offers and their key features are summarized below:

#### **BROKERAGE (COMMISSION-BASED)**

**Services** - As a broker/dealer, Calton's primary business is buying and selling securities for your account on a commission basis at your direction. Your financial professional can offer and recommend securities products to buy, sell or hold, but you make the final investment decision on each securities product recommended by your financial professional. Securities buys and sells are executed in a brokerage account held at our clearing firms or held directly with product sponsors.

**Account Monitoring** - Calton does not offer or provide account monitoring services for your commission-based brokerage accounts. Your financial professional may voluntarily review account holdings in your brokerage accounts held at our clearing firms or that are held directly with product sponsors and may or may not make recommendations to you based on those reviews. These voluntary reviews do not represent an account monitoring.

#### **INVESTMENT ADVISORY (FEE-BASED)**

**Services** - The investment advisory programs Calton offers include:

##### **Financial Advisor Managed -**

- **Discretionary** – Calton and/or your financial professional makes the investment decisions to buy, sell or hold securities in your account for you without contacting you.
- **Non-discretionary** – Your financial professional offers advice and makes recommendations to buy, sell or hold securities in your account only with your prior authorization. You make the final investment decisions.

**Firm Managed** – Calton manages the investments in your account. Calton's managed accounts may be discretionary or non-discretionary depending on the advisory program selected.

**Third-Party Managed** – Another investment adviser firm not affiliated with Calton manages the investments in your account on a discretionary basis.

**Financial Planning** – Your financial professional develops a written goal-based financial plan or analysis to help you achieve your financial objectives.

**Account Monitoring** - Calton and your financial professional conduct ongoing monitoring of your investment advisory accounts no less than annually according to the terms of the Investment Advisory Agreement that you signed.

#### **INVESTMENT OFFERINGS:**

- **Brokerage** - Calton and/or your financial professional offers and makes recommendations on non-proprietary securities products, including but not limited to stocks, bonds, options, mutual funds, Unit Investment Trusts ("UITs") Exchange-Traded Funds ("ETFs"), variable annuities, direct participation programs, private placements, Real Estate Investment Trusts ("REITs") and other non-traded alternative investments. Calton does not offer or make recommendations on all products or products of any particular type and may limit or offer only certain types of investments. This may create a conflict of interest and incentive to offer those products that compensate Calton more than others.

- **Investment Advisory** - Calton offers advice on proprietary and non-proprietary products depending on the investment advisory program, account type, strategy or model selected. You may receive advice with respect to a broad range of investments or limited range of investments. For example, Calton does not offer all mutual funds and/or may limit the mutual fund to a single share class. This may create a conflict of interest and incentive for Calton to offer investment advisory products and services that cost you more and benefits Calton.

### Account Minimums and Requirements

- **Brokerage** - Calton generally does not require a minimum dollar amount to open and maintain a commission-based brokerage account. However, some securities products may have investment minimums.
- **Investment Advisory** - Calton generally requires a minimum account size to open and maintain a fee-based investment advisory account, which may be waived in its discretion.

## CONVERSATION STARTERS

### Key Questions to Ask Your Financial Professional:

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

## WHAT FEES WILL I PAY?

### BROKERAGE (COMMISSION-BASED)

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

- Commissions;
- Mark-ups and mark-downs (usually on the purchase or sale of bonds) charged instead of a commission based on the price Calton pays and what you pay to purchase (mark-up) or sell (mark-down) the bonds from or to Calton;
- Upfront or ongoing fees that you pay to a mutual fund or other product sponsor, a portion of which is paid to Calton in connection with your transaction;
- Handling and processing fees on each securities transaction;

Transaction charges differ from one product to another which creates an incentive for Calton and your financial professional to recommend products that have higher transaction charges or recommend more trading in your account. This creates a conflict of interest and an incentive for Calton and your financial professional to encourage you to trade more often.

Depending on your account type and relationship, you may also incur periodic account maintenance, clearing charges, IRA custodian fees, as well as processing, service and account fees upon certain events or occurrences. You will incur interest charges if you borrow using a securities-based margin loan in any of your accounts. Certain investments, such as mutual funds have embedded fees that are generally paid by you to the companies that sponsor, manage, and/or promote the investment.

### INVESTMENT ADVISORY (FEE-BASED)

In an investment advisory account, you will incur advisory fees which are generally assessed as follows:

- **Asset-Based Fees** - Primarily assessed quarterly in advance, but may be assessed monthly, weekly and/or daily in advance or arrears (assessed based on your account value as of the end of the previous billing period) depending on the terms in the Investment Advisory Agreement you signed with your financial professional. Since the fees Calton receives are based on the value of the assets in your account, Calton and your financial professional have an incentive to increase the value of assets in your account.
- **Wrap Program Fees** - Primarily assessed quarterly in advance, but may be assessed monthly, weekly and/or daily in advance or arrears. Generally the "wrap" fee covers the investment advisory fee, third-party money manager fees, execution charges on transactions, clearing charges and custody services. The wrap fee may not include commissions and other charges that a third-party money manager directs to another broker/dealer. Since Calton pays the transaction costs associated with securities transactions in your account, Calton has an incentive to minimize the trading in your account.

- **Performance-Based Fees** - Assessed quarterly in arrears. Performance-based fees create an incentive for Calton to manage your account more aggressively to achieve higher returns, as Calton will receive higher investment advisory fees if the performance in your account is higher.
- **Fixed and Hourly Fees** - Payment for fees may be negotiated on an hourly or fixed fee basis with each client generally with financial planning.
- **Other Investment Advisory Fees** - In addition to Calton's investment advisory fees, Calton is also compensated by third-party money managers, which are separate and apart from the investment advisory fees you pay to Calton. An administrative fee may also be charged in some types of investment advisory accounts.

During periods of lower trading activity, the investment advisory fee may be higher than the transaction charges you would have paid in a commission-based brokerage account. To determine whether a fee-based investment advisory account is appropriate, you should carefully analyze the projected costs of the fee-based investment advisory account compared to a commission-based brokerage account based on factors such as expected size, volume and frequency of transactions, projected holding period and the investment advisory services provided by your financial professional.

**You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.**

## CONVERSATION STARTER

**Key Questions to Ask Your Financial Professional:**

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

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

When Calton provides you with a recommendation as your broker-dealer or act as your investment adviser, Calton must act in your best interest and not put its interests ahead of yours. At the same time, the way Calton makes money creates some conflicts with your interests. You should understand and ask Calton and your financial professional about these conflicts because they can affect the recommendations and investment advice provided to you. Here are some examples to help you understand what this means.

- **Proprietary Wrap Products** - Calton serves as manager and sponsor of some wrap programs and earns investment advisory fees for managing your account. Therefore, Calton has a financial incentive to recommend its proprietary wrap programs over other investment advisory programs.
- **Third-Party Payments** - Calton receives payments from third-parties when you invest in certain products such as mutual funds. These payments represent additional compensation to Calton or provide compensation for ongoing support to Calton on behalf of the third-parties such as product servicing. This results in a conflict of interest and financial incentive to recommend products that provide additional compensation to Calton and your financial professional over those that pay less compensation or none at all. Such payments may also affect which products Calton makes available to you.
- **Revenue Sharing** - The companies that sponsor, manage, and/or promote certain investments offered by Calton earn revenue by charging you a fee, such as a management fee in mutual funds. A portion of this fee is shared with Calton.
- **Principal Trading** – Calton may buy a security from you or sell a security from our own account primarily with bonds and other fixed income securities. This may create a conflict of interest to generate higher profits from trading profits or minimize losses from Calton holding bonds in its inventory.
- **Dual Registration** - Most of Calton's financial professionals are registered as both Registered Representatives of Calton's broker/dealer and Investment Adviser Representatives of Calton's Investment Adviser or are registered with another investment adviser firm that may also be owned and controlled by them. These financial professionals receive compensation in connection with the purchase and sale of securities and for investment advice and advisory services provided to you. This creates a conflict of interest, as the dually registered financial professionals have an incentive to recommend both brokerage and investment advisory services, and certain investment products based on the compensation they will receive.
- **Insurance Agency and Agents** – Calton is licensed as an insurance agency and most of its financial professionals are also licensed as independent insurance agents who recommend and receive commissions from the sales of insurance products to you. The sales of insurance products are separate from the commission-based

brokerage and fee-based investment advisory services recommended to you. Therefore, both your financial professional and Calton have a conflict of interest and an incentive to recommend insurance products to you based on the compensation we will receive.

## **CONVERSATION STARTER**

### **Key Questions to Ask Your Financial Professional:**

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

## **HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?**

Most financial professionals are compensated as described below:

- By commissions earned from the purchase and sale of investment products in commission-based brokerage accounts and from direct product sponsors;
- By a percentage of the value of assets they manage in fee-based investment advisory accounts;
- By ongoing fees from mutual fund and insurance companies and other product sponsors;
- By fees related to other products and services provided to you;
- By cash and non-cash compensation and incentives they receive from product sponsors

## **CONVERSATION STARTERS**

### **Key Questions to Ask Your Financial Professional:**

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

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

Yes, Calton and some of its financial professionals currently have legal or disciplinary histories to disclose. These disclosures can be found either in Calton's Form ADV Part 2A or the financial professional's individual disclosure brochure Form ADV Part 2B and on their registration Form U4. These disclosure documents can be found by going to [Investor.gov/CRS](http://Investor.gov/CRS).

## **CONVERSATION STARTERS**

### **Key Questions to Ask Your Financial Professional:**

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

## **ADDITIONAL INFORMATION:**

The Form CRS is a required SEC summary disclosure on important information about Calton. Statements in this Form CRS requiring that Calton act in your best interest when making brokerage recommendations reflect Calton's obligations under the SEC's Regulation Best Interest rule. The information in this CRS is subject to the additional and more complete terms and conditions included in Calton's brokerage or investment advisory agreements with you. Form CRS does not create or modify any agreement, relationship or obligation you have with Calton.

For additional information about Calton and its services, please visit [www.calton.com](http://www.calton.com), your financial professional's website or review Calton's Form ADV Part 2 and Form ADV Part 2 Appendix 1 Wrap Fee Brochures by clicking this link <https://adviserinfo.sec.gov/firm/brochure/20999>. You can request a copy of the Form CRS by calling Calton at 800-942-0262.