Calton & Associates Inc. (“CALTON”, “we”, “us”) is a broker-dealer registered with the United States Securities and Exchange Commission (“SEC”), a member of the Financial Industry Regulatory Authority (“FINRA”), and a member of the Securities Investor Protection Corporation. We are also an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940. CALTON provides retail investors like you services in two capacities, either as a broker-dealer providing *brokerage services* or a broker-dealer and registered investment adviser providing *investment advisory services.*

This brochure addresses brokerage services only.

The purpose of this Brochure is to further explain the scope and terms of the relationship among CALTON, our financial professional, and you as a retail customer of the Firm. In this brochure, we explain the following: (i) CALTON and your financial professional act as a broker-dealer and an associated person of a broker-dealer; (ii) the type and scope of services provided to you, including certain limitations on the securities or investment strategies involving securities that may be recommended to you; (iii) the fees and costs that apply to your transactions, holdings, and accounts; and, (iv) the conflicts of interest that are associated with the recommendations we make.

The Brochure expands upon the information about our brokerage services provided to you in the **CALTON Customer Relationship Summary**, which the Firm or your financial professional provided to you.

CALTON and Your Financial Professional Act as a Broker-Dealer and an Associated Person of a Broker-Dealer

We are a broker-dealer that provides brokerage services to you and other customers. Brokerage services include the purchase, sale, and exchange of securities. In connection with the provision of brokerage services, your financial professional, who is an associated person of the Firm, will make recommendations to you (i) regarding the decision to open one or more brokerage accounts with CALTON, (ii) regarding the decision to buy, sell, exchange, or hold securities in your brokerage account(s), and (iii) regarding the conduct of certain investment strategies.

When providing brokerage services and making related recommendations, neither we nor your financial professional provide fiduciary investment advice. While we and your financial professional are not subject to a fiduciary standard like they would be when they provide investment advisory services, which are described in the Customer Relationship Summary, the Firm and your financial professional must comply with the SEC’s “Regulation Best Interest” when we make a recommendation to you.

The SEC's Regulation Best Interest requires that CALTON and your financial professional, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer like you, act in your best interest, without placing the financial or other interests of the Firm and your financial professional ahead of your interests. In order to do so, the SEC requires, among other things, that we disclose to you the information found in this Brochure.

Type and Scope of Services Provided to You

As discussed, our brokerage services include the purchase, sale and exchange of securities. In connection with the provision of such services, the Firm and your financial professional will make recommendations to you (i) regarding the decision to open one or more brokerage accounts with us, (ii) regarding the decision to buy, sell, exchange, or hold securities in your brokerage account(s), and (iii) regarding the conduct of certain investment strategies. Each of these recommendations are explained in more detail below.

Recommendations to Open One or More Accounts:

Your financial professional may recommend that you open one or more brokerage accounts held at the Firm. There are different types of brokerage accounts offered by the Firm that include the following:

- Traditional Individual Retirement Accounts (IRAs)
- Roth IRAs
- Retirement Plan Accounts
- 529 Plan Accounts
- Coverdell Education Savings Accounts
- Uniform Gift to Minors Act (UGMA) Accounts
- Uniform Transfer to Minors Act (UTMA) Accounts
- Trust Accounts
- Individual Taxable Accounts
- Margin Accounts
- Option Accounts

In connection with your brokerage account(s), we will provide brokerage and execution services. As explained below, with regard to the securities in your account, your financial professional also may make recommendations regarding whether to buy, sell, or exchange securities and recommendations with regard to certain investment strategies. The Firm opens brokerage accounts on your behalf when you complete a **New Account Application Form.**

Advisory Services Accounts: As explained in CALTON's Customer Relationship Summary, the Firm and your financial professional, if appropriately licensed, can also recommend that you take advantage of our advisory services. Those services are provided through a number of investment programs called "Wrap Programs", "Non-Wrap" ("Programs") or may be provided outside of the Programs through "Fee for Advice" services, which include separate account advisory services and financial planning. If you select one or more of the Programs or Fee for Advice services, we will open one or more advisory accounts on your behalf. Advisory services accounts are opened by the Firm when you complete a **New Account Application Form.**

As discussed in your Client Relationship Summary, your financial professional may not be licensed with FINRA to provide investment advisory services. If that is the case and you are interested in opening an advisory account, the Firm and your financial professional will be able to accommodate a request by you to open an advisory services account. You should assume your financial professional has a license to provide advisory services unless your financial professional specifically discloses to you that he or she is not so licensed. He or she will communicate this to you in writing or orally before he or she makes an account recommendation.

Recommendations to Buy, Sell, or Exchange Securities

The Firm and your financial professional may make recommendations to you whether to buy, sell, exchange, or hold securities in your account(s). Your financial professional will do this upon your request or if he or she voluntarily reviews your account(s) in order to make a recommendation. However, your financial professional will not monitor your account(s) on a regular basis unless he or she agrees to do so as described below under "Monitoring."

Agency vs. Principal Trades: When the Firm and your financial professional make recommendations whether to buy, sell, exchange, or hold securities, they may do so as your *agent* or as *principal*.

- When we engage in an agency trade, we act as an intermediary between you and the buyer of a security when you sell the security and between you and a seller of the security when you buy a security. We do not own or have some other beneficial interest in the securities involved in a sale, purchase, or exchange transaction. In these circumstances, the Firm acts as a broker.
- When we engage in a principal trade, the Firm buys or sells for an account in which we may have a beneficial ownership interest, which in most cases is a proprietary account. In other words, the Firm

Sells to you a security that it holds in its own account or purchases the security from you for purposes of holding the security in its own account. In these circumstances, the Firm acts as principal (also called a dealer).

Securities: As discussed, the Firm and its financial professionals may recommend that you buy, sell, exchange, or hold securities. A “security” is a term that includes a broad range of investments that you may buy, sell, or exchange through your account(s) including, but not limited to, corporate stocks, corporate bonds, government bonds (such as municipal bonds), open-end and closed-end mutual funds, exchange traded funds, futures contracts, swap contracts, ownership interests in privately held companies, ownership interests in unregistered or alternative investment funds (e.g., hedge funds, private equity funds), unit investment trusts, real estate investment trusts, options (including calls and puts), commercial paper, auction rate securities, certificates of deposit, asset backed securities, and warrants.

Recommendations of Investment Strategies

Your financial professional may recommend to you one or more investment strategies. An investment strategy is the application of a series of securities transactions or investments in certain types of securities for the purpose of accomplishing a specific investment or economic outcome. For example, rather than merely recommending securities that fall within a broad asset class like equities or bonds, your financial professional may recommend to you more specific types of securities, such as high dividend companies, unregistered investment funds like hedge or private equity funds, or securities within a market sector. A strategy would also include recommendations to you to use bond laddering, margin strategy or an options strategy, even if specific securities are not recommended.

A strategy also includes a recommendation of an account as described earlier in this Brochure. In connection with recommending that you open one or more accounts, your financial professional will often recommend that you sell the assets held in an account held somewhere other than the Firm and rollover or transfer the proceeds to one or more CALTON accounts opened on your behalf. For example, your financial professional may recommend that you sell the assets held in your workplace retirement plan (for example, a 401(k) plan) and roll over the cash proceeds into an IRA.

Bases for Our Recommendations and Limitations on Our Recommendations

Your financial professional may recommend a broad array of accounts, securities, and investment strategies. Any recommendation will be based upon the information you provide your financial professional including information you provide in a customer profile in your Account Application. Our intent is to only make recommendations that meet your financial needs, while also considering your risk tolerances, investment experience, and other factors we learn from a customer profile you complete for us when you open an account. Additionally, we will only make a recommendation that is in your best interest as required by Regulation Best Interest. This means that we may not be in a position to recommend every account, security, or strategy to you.

For example, if you have a relatively low tolerance for investment risk or you have a relatively small of amount of assets to invest, we likely would not recommend that you open a margin or option account because trading on margin and trading options pose a high degree of investment risk and potential for investment losses.

Additionally, the issuers of certain securities may prohibit investors who do not meet certain investment minimums or who do not meet certain requirements designed to verify that you meet a minimum level of investment sophistication. Therefore, we will not recommend such securities to you unless you meet those requirements.

Your financial professional may not have the appropriate securities licenses from FINRA to make recommendations to buy, sell, or exchange securities or recommend strategies involving securities that are municipal bonds, commodities futures, and off-exchange foreign exchange transactions. Your financial professional will notify you if he or she does not have the appropriate licenses to make these recommendations. If you are interested in receiving recommendations about these securities and related strategies, please notify your financial professional and we will accommodate you.

Investment Risks

While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Some securities and investment strategies involve more investment risk than others. For example, “short” sales and certain kinds of option trades can result in unlimited losses. Furthermore, some of the securities that we recommend have limited liquidity, which means that you may not be able to sell those securities for many months or even years in the future. There are other risks associated with investing in securities. You should consult any available offering documents for any security we recommend for a discussion of risks associated with the product. Offering documents include prospectuses, offering memorandums, private placement memorandums, and similar documents. We can provide those documents to you, or help you find them. If offering documents or other written disclosures are not available with regard to a particular security, your financial professional will explain any investment risks to you.

Monitoring Your Account(s)

Your financial professional does not monitor your account(s) unless he or she specifically agrees to monitor your account(s). Monitoring involves your financial professional specifically agreeing to periodically review (monthly, quarterly, semi-annually, or annually) one or more of your accounts. If your financial professional agrees to monitor one or more of your accounts, he or she will automatically do so.

Monitoring involves the review of reports provided by the Firm and/or other third party data aggregation systems, to your financial professional so he or she may determine whether he or she should recommend that you buy, sell, or exchange the securities held in your account(s) or make additional recommendations with regard to an investment strategy. For example, he or she may review your account to determine if your account assets should be reallocated or if adjustments should be made with regard to a bond laddering strategy. If, after performing the monitoring, your financial professional does not communicate with you verbally or in writing about whether any action should be taken, consider such inaction as a hold recommendation, meaning no changes are recommended.

When you establish an Advisory relationship, your financial professional will disclose to you in writing whether he or she will monitor your accounts, the accounts he or she will monitor, and the frequency with which he or she will monitor your account or accounts.

Fees and Costs that Apply to Your Transactions, Holdings, and Accounts

The following describes the material fees and costs that you directly or indirectly will pay for brokerage services. These fees and costs are paid to the Firm. In turn, a portion of these fees and costs are paid to your financial professional, which we explain below under "Compensation of Your Financial Professional."

Commissions

When CALTON acts as your agent, the Firm charges you a commission to execute a purchase, sale or exchange transaction of a security. A commission is a flat dollar amount, e.g. $50, per trade. The commission amount is deducted from your account(s).

Your financial professional has the ability to determine the amount of commissions that he or she will charge for a securities transaction. The Firm receives commissions in order to pay for the analysis required to make recommendations and process the securities trades. Your financial professional may charge different commissions for different clients for the same transactions involving identical securities. You should discuss with your financial professional the commissions he or she charges, the basis for the amount charged, and whether such commissions are negotiable.

Typically, for trades involving stocks, your financial professional will charge a commission that is a small percentage of the principal amount of the trade (the price of the trade multiplied by the number of shares). The amount of the commission can vary depending on certain factors such as the price of the shares and the number of shares involved in the trade.

The commissions for options tend to be higher because the trades require more sophisticated analysis and involve more documentation by your financial professional.

Generally, for bonds and other fixed income products, the commission charged per security tends to be higher than those charged for stocks. However, many fixed income securities are sold in principal transactions, for which CALTON receives a "mark-up" or "spread" rather than a commission, as explained below.

Mark-ups and Mark-downs

When the Firm acts as principal, your financial professional will charge a commission as described above or, more likely, will receive a mark-up or mark-down. This means that when CALTON sells you a security from its inventory, the Firm will sell the security to you at a price that is higher than the market price of the security. The difference between the sales price and the market price (or "spread") is the "mark-up" and is a form of compensation. On the other hand, if CALTON buys a security from you for purposes of taking that security into its own inventory, the Firm may buy the security from you at a price that is lower than the market price. The spread between the purchase price paid to you and the market price is called a "markdown." The "mark-down" is not compensation. However, the Firm may then sell that security to another customer or a third party. If the sales price is higher than the price that we purchased the security from you, the difference or spread is compensation paid to the Firm.

Your financial professional and you are responsible for determining the price at which to sell a security or buy a security from you. However, the spread may vary depending on the security. Your financial professional may quote a different price for different clients for the same transactions. You should discuss with your financial professional the price quoted and whether the price is negotiable.

Mutual Fund-Related Compensation

When you purchase or sell mutual fund shares, you pay compensation to the Firm in connection with such purchase and sale transactions. In addition, we may also receive compensation from the mutual fund. The Firm receives this compensation in exchange for the analysis required to make a recommendation and processing your securities transactions.

<u>Commissions, Loads and Contingent Deferred Sales Charges</u>

You may be charged a commission in connection with the purchase or sale of your mutual fund shares. The commissions are like those described above with regard to trades of stocks. However, more commonly, you will pay a "sales load" in connection with a mutual fund transaction. A load is expressed as a percentage of the value of your investment in the fund. Therefore, the amount of your investment in a mutual fund is equal to the difference between the investment value per share of the mutual fund (called the "net asset value" or "NAV") and the total sales charge.

A sales load that you pay when you purchase fund shares is called a "front-end load." A sales load that you pay when you sell your mutual fund shares is a "back-end load," which is often called a "contingent deferred sales charge" or "CDSC." The mutual fund often will reduce or eliminate the back-end load/CDSC if you hold your shares for a period of time, e.g., 2 years.

Each mutual fund may charge different loads, while some do not charge loads (called “no load” funds). In addition, most mutual funds issue different share classes. The amount of the load or the type of load (front-end load or back-end load) will vary based on the share class you purchase. Some share classes are “no load.” Loads are paid to the Firm in exchange for providing brokerage services in connection with the funds.

12b-1 Fees

Many mutual funds that your financial professional recommend to you pay us 12b-1 fees. Not all mutual funds pay 12b-1 fees and some mutual funds pay 12b-1 fees only if you purchase certain share classes. The amount of 12b-1 fees paid vary by mutual fund and/or mutual fund family. However, they will never be more than 1.00% of a fund’s average net assets per year. The fees are paid to the Firm and your financial professional for distribution of the fund’s shares and may be in addition to any sales loads. The fees are not paid from your account(s), but are paid from the mutual fund.

As a result, the fees reduce the fund’s net asset value and thus the value of an investment in the fund. A 12b-1 fee is a form of indirect compensation paid by all investors in the mutual fund or mutual fund share class.

As discussed, the fees and costs connected to your purchase and sale of mutual fund shares vary by fund and fund share class. You may not be eligible to purchase all share classes. For example, some share classes are only available to institutional investors or certain retirement plans. You can learn more about these fees by reviewing the mutual funds’ prospectuses, which your financial professional can make available to you.

Other Fees and Costs

CALTON charges you a number of fees connected to your account(s). These fees compensate the Firm for maintaining your accounts, performing certain transactions involving your account(s), reporting requests, and other services. These fees are deducted from your account(s).

For example, the Firm charges an annual fee to maintain individual retirement accounts or tax-qualified retirement plan accounts because of the rules to which such accounts are subject under the Internal Revenue Code and the Employee Retirement Income Security Act of 1974. We may also charge an account termination fee. Furthermore, if you trade securities on margin, which means you borrow money from the Firm to purchase securities for the purpose of selling those securities at a later date, you will pay us interest for the period of time you borrow from CALTON. This is only a brief description of the other fees and costs that may be charged.

We provide all of these other fees and costs in **CALTON's Client Disclosures** section, which you can see at the following link:

https://www.CALTON.com/

Your financial professional can also provide you a copy.

Compensation of Your Financial Professional

CALTON pays compensation to your financial professional. The amount of that compensation is a percentage of revenue that he or she generates. The revenue includes the above discussed commissions, spreads, loads, contingent deferred sales charges, and 12b-1 fees. The revenue paid to your financial professional also includes revenue the Firm receives in connection with the sale of other products and services not discussed in this Brochure.

Conflicts of Interest

When CALTON and your financial professional make recommendations to you, they act in the face of certain "conflicts of interest." According to the SEC, a conflict of interest is an interest that might incline the Firm or your financial professional, consciously or unconsciously, to make a recommendation that is not disinterested. In order to comply with SEC's Regulation Best Interest, CALTON and your financial professional are required to disclose material conflicts of interest. In addition, the Firm and your financial professional follow procedures to address these conflicts, as required by Regulation Best Interest. FINRA also requires that we take other measures to protect your interests including a "best execution" requirement with regard to the price at which we execute securities transactions.

Commissions and Other Transaction-Based Compensation

When the Firm, acting as your agent, purchases, sells, or exchanges a security, we typically receive a commission for trades of non-mutual fund securities and, on occasion, for trades of mutual fund securities. CALTON and your financial professional determine the amount of the commission you pay for each trade. Your financial professional may charge you different commission amounts depending on the type of security involved in the trade or different commission amounts for the same type of security.

In connection with mutual fund transactions, CALTON receives 12b-1 fees, front-end loads, back-end loads and CDSCs. As discussed, mutual funds that we recommend offer different share classes. Depending on the share class that you purchase, sell, or exchange, we may or may not receive 12b-1 fees, loads and CDSCs and/or the amount of such fees may vary by share class. Additionally, some mutual funds do not pay 12b-1 fees, loads and CDSCs, while some mutual funds pay more 12b-1 fees, loads and CDSCs than other mutual funds. Commissions, 12b-1 fees, front-end loads, back-end loads and CDSCs are often called "transaction-based compensation."

We may have an incentive to recommend that you sell, buy, or exchange securities more frequently because doing so increases the transaction-based compensation the Firm receives. Additionally, we may have an incentive to recommend that you engage in transactions involving securities for which it may charge higher commissions (e.g., options) than what may be charged for other securities (e.g., domestic stocks). The Firm may also have an incentive to recommend mutual funds or share classes of mutual funds that pay more compensation.

Agency Cross Transactions

The Firm and your financial professional may engage in agency cross transactions. In these circumstances, the Firm and your financial professional may match customers who want to sell a security with another customer who wants to buy that same security (or vice versa). As a result, we will enter into the purchase/sale transaction between the two clients rather than purchasing or selling the security through an exchange or otherwise engaging in the transaction with a party who does not have an account with the Firm. We do not charge a commission in the event of an agency cross transaction. Therefore, when the Firm enters into agency cross transactions on behalf of some customers but not others, we may be incentivized to charge higher commissions to those customers for whom it does not enter agency cross transactions in order to make up the lost commission revenue.

Principal Transactions, Mark-ups and Mark-downs

When we act as principal, CALTON and your financial professional sell you securities that we hold in a firm account or buy securities from you for our own account. As described earlier in this Brochure, our compensation is a mark-up when it sells you a security in a principal trade. When we sell you a security, we may have an incentive to recommend that you buy the security at a price higher than what we might receive from a person who is not a client of the firm or who may have more investment experience. Additionally, when we hold a security in our own account, we bear the risk of owning that security. Therefore, we have an incentive to recommend that you buy the security, even though buying it may not be in your interest. When we purchase a security from you, we have an incentive to recommend that you sell the security at a price lower than what we might receive from a person who is not a client of the firm or who may have more investment experience. Additionally, we may recommend that you purchase a security because the Firm believes it may sell the security at a higher price to you rather than another customer or a person who is not a customer of the firm.

Conference Sponsorships

CALTON will periodically sponsor conferences attended by your financial professional and other registered representatives associated with the Firm. These conferences are an opportunity for our registered representatives to learn about investment products and services, market performance, economic trends, and other issues important to conducting the business of an associated person of a broker-dealer. CALTON allows unaffiliated third parties, such as investment managers, mutual fund families, insurance companies, and other financial services providers, the opportunity to sponsor such conferences by paying a sponsorship fee.

As a conference sponsor, the financial services provider will have greater access to the Firms representatives than other financial services providers so that the sponsor will have a better opportunity to educate our representatives about its products and services.

Underwriting of "New Issues"

Your financial professional may recommend that you invest in securities issued in an initial public and/or secondary offerings ("new issues") for which the Firm acts as a manager, underwriter and/or a member of the selling group. We may have a conflict of interest in recommending these securities.

The Firm may receive all or a portion of the gross spread – the difference between the price that you pay for the security and the price for which we purchase the security. In addition, the Firm has an interest in assuring that the offering is successful because we may bear the financial and reputational risk of not selling all or most of the securities. Therefore, the Firm has incentives to recommend that you purchase these new issues for these reasons, rather than based on your needs.

Limitations on Your Financial Professional's Ability to Make Certain Recommendations

As discussed, your financial professional may not be licensed to provide investment advisory services. Therefore, he or she has an interest in not recommending that you open an advisory account with the Firm, which may not be in your interest. Additionally, if your financial professional is not licensed to recommend other products requiring specific licenses, he or she cannot recommend those securities or related strategies even if purchasing such securities or taking advantage of such strategies is in your interest.

Rollovers, Account Transfers and Similar Transactions

Generally, we do not permit your financial professional to make recommendations regarding the purchase, sale, or exchange of securities or recommendations regarding investment strategies with regard to securities not held at CALTON. Such accounts are called "held away" accounts.
In order for us and your financial professional to provide brokerage services including such recommendations, the Firm and your financial professional have an interest in recommending that you open one or more accounts with us, liquidate your holdings at another firm, and move your assets to the CALTON account. The Firm and your financial professional are incentivized to make such a recommendation even if doing so is contrary to your interest because we only receive compensation for providing brokerage services if the assets are held by the Firm. For example, if you have an account in your employer's retirement plan, the Firm and your financial professional have an interest in recommending that you take a distribution from your retirement plan account and rollover the proceeds to an individual retirement account (IRA) held at CALTON.

Your financial professional may also have an incentive to recommend that you liquidate your brokerage account at another broker-dealer and transfer the proceeds to one or more accounts held at the Firm. Additionally, with regard to your accounts held with us, your financial professional may have an incentive to recommend that you sell assets in your account and withdraw the proceeds so that you may purchase other products and services from the Firm.

Compensation of Your Financial Professional

The manner in which your financial professional is compensated may create conflicts of interest. Your financial professional may have an incentive to recommend that you engage in more transactions in order to generate more commissions, spreads, loads, contingent deferred sales charges, and 12b-1 fees for the Firm. Furthermore, your financial professional may have an incentive to recommend that you enter into trades that generate larger commissions or recommend mutual funds or share classes that generate larger loads, contingent deferred sales charges and 12b-1 fees. He or she also may have an incentive that you move your accounts from your employer retirement plan or other financial institutions to the Firm, even if doing so is not in your interest.

As an inducement to your financial professional to leave another broker-dealer and join us as a representative, we may pay your financial professional one or more cash bonuses. The bonus may be based upon the number of clients, the number of client accounts, the amount of assets brought to the Firm and/or other similar metrics. Therefore, your financial professional could have an incentive to recommend that you liquidate your account at another broker-dealer and transfer those amounts to one or more CALTON accounts, even if such transfer is not in your interest.