

# FORM ADV

## UNIFORM APPLICATION FOR INVESTMENT ADVISER REGISTRATION

### PART II – Page 1

Name of Investment Adviser: <b>Calton &amp; Associates, Inc.</b>	
Address: (Number and Street) (City) (State) (Zip Code) 14497 N. Dale Mabry Hwy, Suite 215, Tampa, FL 33618	Area Code: Telephone Number: (813) 264-0440

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

<b>FORM ADV</b> <b>Part II – Page 2</b>	Applicant	SEC File Number	Date:
	<b>Calton &amp; Associates, Inc.</b>	801-34062 CRD 020999	March 15, 2007

1. A. **Advisory Service and Fees** (check the applicable boxes) for each type of service provided, state the approximate % of total advisory billings from that service. (See instructions below.)

Applicant:

- |  |         |
|--|---------|
| <input checked="" type="checkbox"/> (1) Provides investment supervisory services   | 70 %    |
| <input checked="" type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services   | 20 %    |
| <input type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above  | _____ % |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscriptions  | _____ % |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service described above   | _____ % |
| <input type="checkbox"/> (6) issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities | _____ % |
| <input type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities   | _____ % |
| <input checked="" type="checkbox"/> (8) Provides a timing service  | 10 %    |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above   | _____ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes  No

C. Applicant offers investment advisory services for: (check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management      | <input type="checkbox"/> (4) Subscription fees      |
| <input checked="" type="checkbox"/> (2) Hourly charges                               | <input checked="" type="checkbox"/> (5) Commissions |
| <input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> (6) Other       |

D. For each checked box in A above, describe on Schedule F:

the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee applicant's basic fee schedule, how fees are charged and whether its fees are negotiable when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of clients** – Applicant generally provides investment advice to: (check those that apply)

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations         |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies                        | <input type="checkbox"/> G. Other (describe on Schedule F)                                  |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |   |

<b>FORM ADV</b> <b>Part II – Page 3</b>	Applicant	SEC File Number	Date:
	<b>Calton &amp; Associates, Inc.</b>	801-34062 CRD 020999	March 15, 2007

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <p>A. Equity securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input type="checkbox"/> (3) foreign issuers</p> <p>B. <input type="checkbox"/> Warrants</p> <p>C. <input checked="" type="checkbox"/> Corporate debt securities (other than commercial paper)</p> <p>D. <input checked="" type="checkbox"/> Commercial paper</p> <p>E. <input checked="" type="checkbox"/> Certificates of deposit</p> <p>F. <input checked="" type="checkbox"/> Municipal securities</p> <p>G. Investment company securities</p> <p><input checked="" type="checkbox"/> (1) variable life insurance</p> <p><input checked="" type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input checked="" type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Future contracts on:</p> <p><input type="checkbox"/> (1) tangibles</p> <p><input checked="" type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input checked="" type="checkbox"/> (1) real estate</p> <p><input checked="" type="checkbox"/> (2) oil and gas interests</p> <p><input type="checkbox"/> (3) other (explain in Schedule 1)</p> <p><input type="checkbox"/> L. Other (explain on Schedule F)</p> |
|--|--|

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

**A. Applicant's security analysis methods include:** (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical           |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

**B. The main source of information applicant uses include:** (check all that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input checked="" type="checkbox"/> Timing services   |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press release   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

**C. The investment strategies used to implement advice given to clients include:** (check all that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Long term purchases (securities held at least a year) | (5) <input type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases (securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options, or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)              | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input checked="" type="checkbox"/> Short sales   |   |

<b>FORM ADV</b> <b>Part II – Page 4</b>	Applicant	SEC File Number	Date:
	<b>Calton &amp; Associates, Inc.</b>	801-40592 CRD 020999	March 15, 2007

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?

Yes No

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

**For:**

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name formal education after high school
- year of birth business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Financial Industry Activities or Affiliations.** (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a future commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
  - (1) broker-dealer
  - (2) investment company
  - (3) other investment adviser
  - (4) financial planning firm
  - (5) commodity pool operator, commodity trading adviser or futures commission merchant
  - (6) banking or thrift institution
  - (7) accounting firm
  - (8) law firm
  - (9) insurance company or agency
  - (10) pension consultant
  - (11) real estate broker or dealer
  - (12) entity that creates or packages limited partnerships

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

<b>FORM ADV</b>  <b>Part II – Page 5</b>	Applicant  <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date:  March 15, 2007
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**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for it self from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

10. **Conditions for Managing Accounts.** Does the applicant provide investment supervisory services manage investment advisory accounts or holds itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions or starting or maintaining an account?

Yes No

(If yes, describe on Schedule F.)

11. **Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. For review, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

See Item 11.A on Schedule F.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

See Item 11.B on Schedule F.

<b>FORM ADV</b> <b>Part II – Page 6</b>	Applicant	SEC File Number	Date:
	<b>Calton &amp; Associates, Inc.</b>	801-34062 CRD 020999	March 15, 2007

**12. Investment or Brokerage Discretion.**

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- |  |   |                             |
|--|---|-----------------------------|
| (1) securities to be bought or sold?               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used?                   | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid?                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
- B. Does applicant or a related person suggest brokers to clients?
- |  |   |                             |
|--|---|-----------------------------|
|  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
|--|---|-----------------------------|

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients?
- |  |   |                             |
|--|---|-----------------------------|
|  | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
|--|---|-----------------------------|
- B. directly or indirectly compensates any person for client referrals?  
(For each yes, describe the arrangements on Schedule F.)
- |  |                              |  |
|--|------------------------------|--|
|  | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
|--|------------------------------|--|

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
  - requires prepayment of more than \$500 in fees per client and 6 more months in advance
- Has applicant provided a Schedule G balance sheet?
- |  |                              |  |
|--|------------------------------|--|
|  | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
|--|------------------------------|--|

**Schedule F of  
FORM ADV – Page 1  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

**1. D ADVISORY SERVICES AND FEES**

We will perform overall portfolio analysis and review and offer educational public seminars periodically. Fees will be negotiable and charged in accordance with schedules below. Fees will be refunded if service is terminated prior to the period charge. As an investment adviser, Calton & Associates, Inc. ("Adviser") manages investment advisory accounts on a discretionary basis. All accounts are independent managed accounts.

**Negotiated Discretionary Accounts**

All clients' accounts pay the following annual Assets Under Management Fees, which are payable quarterly based on the average assets under management in the client's account at the end of each calendar quarter:

- 2.00% if assets under management are less than \$249,999
- 1.85% if assets under management are between \$250,000 and \$499,999
- 1.75% if assets under management are between \$500,000 and \$999,999
- 1.50% if assets under management are between \$1,000,000 and \$3,000,000
- 1.00% if assets under management are over \$3,000,000

All fees are paid quarterly in advance and deducted from the account unless otherwise directed in writing. Calculations are based on the ending total account value as of the last day of the previous quarter. In the event an account is established mid-quarter the starting balance is prorated based on days remaining in the quarter. Fees are also prorated accounting for all contributions and distributions from the account.

Special considerations may require a client's fee to be varied from the basic schedules. Fees may be negotiated in certain circumstances and Calton & Associates, Inc. reserves the right to waive fees at its discretion and to increase or decrease the minimum account size.

Managed Account agreements with clients generally allow either the client or Calton & Associates, Inc. to terminate the relationship at any time by written notice; termination is effective within ten days after receipt of such notice, as described in the Investment Management Agreement. In the event an account is terminated any fees previously paid by the client are refunded by Calton & Associates, Inc. ratably based upon the number of calendar days remaining after the termination date in the period as to which fees have been prepaid,

**Schedule F of  
FORM ADV – Page 2  
Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

2. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Calton &amp; Associates, Inc.</b>		IRS Empl. Ident. No.: <b>59-2845944</b>
Item of Form (identify)	Answer	

**“Program” Accounts**

These programs offer clients several programs offered through Southwest Securities PC2 or through other Registered Investment Advisory services. Each strategy is described more fully under Investment Strategies discussed in Item 4.C.7 below.

1. D

**Mutual Fund Wrap Program**

The Mutual Fund Wrap Program is a program sponsored and administered by Southwest Securities, Inc.. Calton & Associates, Inc. is a co-advisor in this program. It is a discretionary investment advisory program in which Calton & Associates, Inc., its registered representatives/investment advisor representatives (“RRs/IARs”) and correspondent firms of Calton & Associates, Inc. provide investment advice, execution and clearing services, portfolio monitoring and performance reporting services for an annual fee based on the value of assets in a client’s program account(s) as determined below in Table 6: “Mutual Fund Wrap Program Fees”. Clients who participate in this program will grant Calton & Associates, Inc., its RR/IARs and other third party advisors discretion with respect to securities (typically mutual funds or exchange traded fluids) and/or portfolio manager selections in their account(s). This discretion will be in accordance with a previously agreed to risk profile as determined by a Client Questionnaire/Profile (“Client Profile”.) Client agrees to immediately notify their Advisor of any change in Client’s financial situation.

Additionally, the custodian ( Southwest Securities, Inc.) or other third party advisors will provide program clients with regular brokerage statements, at least quarterly, detailing all deposits, disbursements, dividends, interest earned, purchases, sales and positions held in client accounts. Calton & Associates, Inc. will also furnish prompt written confirmations to clients of all transactions executed through Calton & Associates, Inc. for a program account.

**Schedule F of  
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Continuation Sheet for Form ADV Part II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

3. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

**1.D Mutual Fund Advantage Program**

The Mutual Fund Advantage Program is an asset allocation program sponsored and administered by Southwest Securities, Inc.. and Calton & Associates, Inc. co-advisors. It is a discretionary investment advisory program in which Calton, its registered representatives/investment advisor representatives ("RRs/IARs") and correspondent firms of SWS provide investment advice, execution and clearing services, portfolio monitoring and performance reporting services for an annual fee based on the value of assets in a client's program account(s) as determined below in Table 7: " Mutual Fund Advantage Program Fees". Clients who participate in this program will grant SWS, its RR/IARs and other third party advisors discretion with respect to securities (typically mutual funds or exchange traded funds) and/or portfolio manager selections in their account(s). This discretion will be in accordance with a previously agreed to risk profile as determined by a Client Questionnaire/Profile ("Client Profile".) Client agrees to immediately notify their Advisor of any change in Client's financial situation. Additionally, SWS or other third party advisors will provide program clients with regular Brokerage statements, at least quarterly, detailing all deposits, disbursements, dividends, interest earned, purchases, sales and positions held in client accounts. SWS will also furnish prompt written confirmations to clients of all transactions executed through SWS for a program account.

**Table 7: Mutual Fund Advantage Program Fees**

Account Value Fee	(Annual Rate)
\$30,000 - \$249,999	1.75%
\$250,000 - \$499,999	1.50%
\$500,000 - \$999,999	1.25%
\$1,000,000 and up	1.00%

The Fee is applied to the account value as determined by SWS each calendar quarter, on a prorated quarterly basis and is billed in advance. The account value is determined at the beginning of each calendar quarter (or the value at the end of the preceding calendar quarter) and includes the market value of all assets in the program account,

**Schedule F of  
FORM ADV – Page 4  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

4. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

including securities, cash and money market balances, less any margin or other debit balances. In the event that a client opens a program account at a time other than the beginning of a calendar quarter, the fee will be pro-rated for the number of days remaining in the quarter following the opening date of the account. Clients generally authorize, by written agreement, the automatic deduction of the fee from their program account. The fee schedule is not applied incrementally. Clients pay the rate of the fee that corresponds to the range of values in which their account value falls within the fee schedule. The corresponding rate is applied to the entire account value in the determination of the fee. The minimum accounts size of the Mutual Fund Advantage Program is \$30,000 for retirement accounts and \$30,000 for all other accounts.

Certain open-end mutual funds which may be acquired in a client's account may internally access a distribution fee pursuant to Section 12(b)1 of the Investment Company Act, as amended, or an administrative or service fee. Calton & Associates, Inc. and/or its representatives are eligible, unless prohibited by law or regulatory authority. Such fees are included in the calculation of operating expenses of mutual funds and the existence of such fees is disclosed in the prospectus for each mutual fund and are in addition to Mutual Fund Advantage Program fees. Either the client Calton & Associates, Inc. or SWS may terminate a program account at any time by providing written notice to the other party. Upon termination, the client is responsible for monitoring and managing the securities in his or her account. Neither SWS, the client's advisor, or other outside advisors will have any further obligation to act or advise with respect to those assets. Any costs related to the disposition or transfer of those assets, following a termination notification, will be the responsibility of the client. Any unused portion of the pre-paid quarterly fee will be refunded and credited to the client's program account. Such refunds will be pro-rated based on the number of days remaining in the calendar quarter in which the client paid a pre-paid fee. In certain circumstances, program fees may be negotiated. Some clients may pay higher or lower fees than other clients depending on the size of the account, the amount of time a client has conducted business with client's Advisor, SWS or it's affiliates, the amount of time and resources required to service a client's account and other relevant considerations.

Southwest Securities Inc. also sponsors the Mutual Fund Program that is described in this disclosure document. The Mutual Fund Advantage Program differs from the Directed Mutual Fund Program in that the client and the RRs/IARs may select the actual funds used in each asset class. And the client may also decide whether to utilize automatic rebalancing or rebalance when the client chooses. The Directed Mutual Fund Program does not have these features.

**Schedule F of  
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Continuation Sheet for Form ADV Part II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

5. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

**1.D Financial Planning**

The Advisor shall, upon request of the Client, review the financial matters of the Client and advise the Client as to the conservation of assets and production of income so as to lawfully minimize the income tax liability of the Client. In general, a comprehensive and/or targeted financial plan will encompass one or more of the following concerns;

Personal family records - budgeting, personal liability, estate information and financial goals. Taxes & Cash Flow – Income tax and spending analysis for current and future years. The Advisor will illustrate the impact of various investments on Client's current income tax and future tax liability.

Life, Death, Disability and Long Term Care – Cash needs at death, income need of surviving dependents, estate planning and income analysis.

Retirement – Analysis of current strategies and investment plans to help Client achieve their retirement goals.

Investments – Analysis of investment alternatives and their effect on Client's portfolio(s).

Fees for Comprehensive Financial Planning are negotiable between the Client and the Advisor preparing the plan. These fees can range from \$250.00 to \$1,500.00 depending on the scope of the plan. All Financial Planning activities will be completed within sixty days. Fees are paid in advance in accordance with the Financial Planning Agreement.

**4.C.7 INVESTMENT STRATEGIES**

Investment strategies vary according to the plan incorporated. Calton & Associates, Inc. uses a number of different Advisory Firms; each firm has its own disciplines and plans. These plans are discussed and a copy of the corresponding documentation including ADV part 2 are explained and given to the client.

**Schedule F of  
FORM ADV – Page 6  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

6. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

5 / 6

**EDUCATION AND BUSINESS BACKGROUND**

Calton & Associates, Inc. will require individual registered financial advisors reps to have a minimum of 1 years experience as a Series 6 or 7 licensed representative. Additionally, they must have completed either the Series 65 or 66 license or recognized certification such as a CFP and be registered as an Adviser in the state they are active in.

**ROBERT B. GREBLUNAS**

Birth date: April 29, 1945

Education: Attended New York Institute of Technology, The New York Institute of Finance

Business Background: Vice President Calton & Associates, Inc.  
4/2003 to present Chief Compliance Officer Calton & Associates, Inc.  
1999 to present Asst. Vice President – Prudential Securities, Inc.  
3/1990 through 1999

**Schedule F of  
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Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates, Inc</b>	SEC File Number 801-40592 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

7. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Calton &amp; Associates, Inc.</b>		IRS Empl. Ident. No.: <b>59-2845944</b>
Item of Form (identify)	Answer	

**7. A,B,C OTHER BUSINESS ACTIVITIES**

Calton & Associates, Inc. is a registered securities broker-dealer and a member of the NASD and the SIPC. Applicant offers securities. Financial Planning and insurance products to the public. The principal business of Calton & Associates, Inc. is the sale of securities.

**9. A, B, & E PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

**A. As principal, buys securities for itself from or sells securities it owns to any client**

Calton & Associates, Inc. acts as principal on some Corporate and Municipal Bond transactions. When Calton acts as principal the client is notified that the transaction is being done as principal and the mark up or down is disclosed.

**B. As broker or agent effects securities transactions for compensation for any client.**

**Limited Partnerships**

When reviewing an advisory client's investment objectives, Adviser may recommend an investment in a Limited Partnership or similar type product (REITS). At that time, Adviser explains in writing and discusses with the client the differences in the investment process and risk profile between an individually managed account and the partnerships. The Advisor will not charge any commissions for the purchase of these products if purchased under the management agreement.

Possible changes in fees and expenses are explained and the client is furnished a copy of the Offering Memorandum of the partnership or similar product being recommended by Adviser. Adviser may purchase securities for clients that are also purchased for the Calton Limited Partnership and/or the PC2. Certain individuals related to Adviser may be limited partners in the partnerships.

**Schedule F of  
FORM ADV – Page 8  
Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-40592 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

8. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>36-3792197</b>
Item of Form (identify)	Answer	

9. A, B & E (continued)

**E. Buys or sells for itself securities that it also recommends to clients.**

Calton & Associates, Inc. offers general securities to the public on a very rare occasion Calton & Associates, Inc. buys securities for its own investment account. It might be possible that a client of ours would invest in the same security.

**Code of Ethics**

Adviser has adopted a Code of Ethics (the "Code") in accordance with the Advisers Act, which includes written procedures governing the conduct of Adviser, certain officers and managers, as well as other advisory persons, investment personnel and access persons of Adviser. Under these procedures, subject to certain exceptions and exclusions, Adviser's directors, officers and advisory persons may not (a) purchase any security that at the time is being purchased or, to his or her knowledge is being considered for purchase by Adviser for any client account or (b) sell any security that at the time is being sold or, to his or her knowledge is being considered for sale by Adviser for a client account.

The Code requires Adviser's investment personnel to notify the Compliance Officer of any intended purchase for a client account by Adviser of a security beneficially owned by such access person. Such investment personnel may not (a) dispose of such security until at least one day after Adviser completes its acquisition program for client accounts, except where the access person can demonstrate to the satisfaction of the Compliance Officer a *bona fide* reason why the one-day period should be waived, or (b) purchase any security that at the time is being purchased or being considered for purchase by Adviser for client accounts, until at least one day after the Adviser completes its acquisition program, unless such access person obtains prior clearance for such purchase from Adviser's Compliance Officer or other person to whom such authority is delegated.

To voluntarily comply with Rule 17J-1 under the Investment Company Act of 1940, Adviser's investment personnel must obtain approval from Adviser before acquiring, directly or indirectly, beneficial ownership in securities issued in connection with an initial public offering ("IPO") or a limited offering. Currently, Adviser's personal trading policies require all of Adviser's employees to obtain prior approval before investing in IPOs and limited offerings. In addition to the foregoing, the Code also imposes upon advisory representatives certain reporting obligations. The Code and applicable securities transactions are monitored by Adviser's Compliance Officer.

**Schedule F of  
FORM ADV – Page 9  
Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-40592 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

9. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

**10 CONDITIONS FOR MANAGING ACCOUNTS**

**Negotiated Discretionary Accounts**

Generally, each client must represent and warrant that either (a) the value of the client's account initially is at least \$50,000 or (b) the client's net worth, which may include assets held jointly with a spouse, is more than \$500,000.00. However, Adviser may accept clients with smaller accounts and/or lower net worth.

**Calton Program Accounts**

To open a PC2 Program account, a client must place assets with a value of at least \$50,000 under management. A PC2 Program client with assets under management of \$500,000 or more may designate any brokerage firm to hold the client's assets. If the PC2 Program client's account has assets worth less than \$500,000; the client must agree to designate the online discount brokerage firm of Southwest Securities, Inc. as the custodian.

**11. A REVIEW OF ACCOUNTS**

It is Calton's policy that all investment advisors and reps will act in the best interest of their clients, to this end all reviews should be made with the client's best interest.

All accounts must be monitored by the registered investment advisor assigned to the account. Monthly oral progress reports are recommended. Annual written performance reports are recommended. A client may request an oral or written report at any time. Additionally, all accounts will be monitored under current NASD/SEC Broker-Dealer guidelines. Spot checks will occur by any member of the investment committee. The initial investment advisory account form must be approved by a Principal of the company. All NASD suitability standards must be met before an investment can be made. A member of the investment committee must verify investment advisory account information and approve any recommended advice before account can be opened. The minor reviewing body will be made up of individual registered investment advisors of Calton & associates, Inc. They will be responsible for normal maintenance and review of their own accounts on a monthly basis. The major reviewing body will be made of the investment committee; Dwayne K. Calton-President, Dominick Calderazzo - Associate and Robert B. Greblunas-Vice-President. Each client account is reviewed on an ongoing basis, including at the time of any purchase or sale of securities, upon receipt of each confirmation of a transaction and upon receipt of each monthly statement of the brokerage account for the client account.

**Schedule F of  
FORM ADV – Page 10  
Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

10. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

**11. B REPORTS TO CLIENTS**

Southwest Securities will act as prime broker on all Calton Negotiated Discretionary Accounts. Southwest Securities will send the client a monthly statement of the account showing all transactions during the month and the month-end position. In the case where a client requests a transaction through another source the securities broker-dealer through whom a client's transactions are executed will send the client a confirmation of each transaction.

**12.A & 12.B INVESTMENT OR BROKERAGE DISCRETION**

Subject to the conditions for managing accounts discussed in Item 10 above, client may designate any broker-dealer through whom the client's transactions are to be executed. Adviser has specifically suggested that advisory clients use Calton & Associates, Inc. ("CALTON") as broker and Southwest Securities, Inc. as custodian for their account. We suggest CALTON because of their execution capability through Southwest Securities, Inc., competitive commission rates, and to facilitate the trading and management of clients' accounts by having the majority of client accounts resident at same brokerage firm.

Adviser may execute brokerage transactions through brokers or dealers who also provide it with statistical research and other information or services that enhance its investment research and portfolio management capability generally, including PC2. However, no brokerage transactions shall be executed directly or indirectly through Calton & Associates, an affiliated broker-dealer. The commission paid to any broker may be in excess of the commission another broker would charge for the same transaction. Such research and other services, moreover, may be available to Adviser on a cash basis. Before effecting any such transaction, Adviser will determine in good faith that the amount of the commission is reasonable in relation to the value of the broker and research services provided by the broker, viewed in terms of either that particular transaction or its overall responsibilities to all of its clients, including consideration of relative equitable treatment of all its clients.

**Schedule F of  
FORM ADV – Page 11  
Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

11. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Calton &amp; Associates, Inc.</b>		IRS Empl. Ident. No.: <b>59-2845944</b>
Item of Form (identify)	Answer	

**12. A & 12.B**

(continued) Adviser has a policy of aggregating trades for client accounts in the same security. 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 Adviser's principals or employees are among the investors. To ensure the fair aggregation and allocation of securities purchased for all client accounts, accounts in which principals or employees have a beneficial interest are not given favorable treatment. All clients receive the average execution price for each bunched order. Client accounts that use Calton & Associates, Inc. as their prime broker-dealer receive a *pro rata* allocation of the total transaction cost. Client accounts that use Calton & Associates, Inc. as their prime broker-dealer do not always receive a *pro rata* allocation of the total transaction cost, in situations where a bunched order is only partially filled by the executing broker-dealer, Adviser allocates the order to all participating accounts on a *pro rata* basis.

To the extent brokerage transactions are placed with a particular or preferred broker, there may be limitations on Adviser's ability to negotiate commissions, obtain volume discounts, aggregate client orders and seek execution of transactions as efficiently as possible and at the best price. Under these circumstances a disparity of commission charges may exist between the commissions charged to Adviser's other clients.

**13. A      ADDITIONAL COMPENSATION**

Adviser requires that clients open a brokerage account with Southwest Securities, Inc. No other brokers are currently used by the Advisor and the Advisor will not take custody of client accounts. This in no way precludes Calton from using other qualified custodians. While there is no direct affiliation between the investment advice given to clients and the Advisor's recommendation of Southwest Securities, there are economic benefits that are received by the Advisor from Southwest Securities. These benefits do not depend on the amount of transactions directed by the Advisor to Southwest Securities. These benefits may include: A dedicated trading desk that services our clients, a dedicated service group and an account services manager dedicated to the Advisor's accounts, access to a real time order matching system, ability to block client trades, electronic download of trades, balances and positions in Southwest's portfolio management software, access to an electronic interface with Southwest's software, duplicate and batched client statements, confirmations and year-end summaries, and the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements.)

**Schedule F of  
FORM ADV – Page 12  
Continuation Sheet for Form ADV Part  
II**

Applicant: <b>Calton &amp; Associates, Inc.</b>	SEC File Number 801-34062 CRD 020999	Date: March 15, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

12. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:		IRS Empl. Ident. No.:
<b>Calton &amp; Associates, Inc.</b>		<b>59-2845944</b>
Item of Form (identify)	Answer	

**2. A TYPES OF CLIENTS – INDIVIDUALS**

**PRIVACY NOTICE**

Calton & Associates, Inc. is committed to protecting the confidentiality and security of the nonpublic personal information we collect about you to provide you with investment advisory services. This Privacy Notice describes certain steps we have taken to ensure the privacy of information of individuals protected by Regulation S-P, issued by the United States Securities and Exchange Commission. Our privacy policies and practices are designed to protect individuals who use our services primarily for personal, family, or household purposes.

**What Information Do We Collect?** —We limit the collection and use of information to the minimum we require to provide service to your account. Such service includes maintaining your account with us, processing transactions and administering our business. We collect the following kinds of information about you: identifying information (such as name, address and social security number), application information (such as net worth or annual net income), and transaction information (such as securities positions, account performance, and account fees). Identifying and application information is obtained directly from you or your financial advisor or broker when you apply for an account. Transaction information is tracked by us in the process of administering your account.

**What Information Do We Disclose?** —We do not sell your nonpublic personal information to anyone and we do not disclose such information to anyone except as permitted or required by law. We may disclose any information we collect to third parties permitted by law as needed to service your account, such as custodians, brokers, accountants, attorneys, or other professionals and regulatory or law enforcement agencies. Even if you are no longer a client, our privacy policies and practices will continue to apply to you.

**How Do We Protect Information?** —Our employees are required to protect the confidentiality of your information and to comply with our privacy policies and practices. They may access information only when there is an appropriate reason to do so, such as to administer our services. Employees who violate our privacy policies and practices are subject to disciplinary process. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

**Revised Privacy Policies and Practices.** We reserve the right to revise our privacy policies and practices, but we will not disclose your personal nonpublic information, except as required or permitted by law, without giving you an opportunity to direct us not to disclose such information.

2. D **TYPES OF CLIENTS – ERISA CLIENTS ONLY**

If this Agreement is entered into by a trustee or other fiduciary, including but not limited to someone meeting the definition of "Fiduciary" under the Employee Retirement Income Security Act of 1974 (ERISA) of an employee benefit plan subject to ERISA, such trustee or fiduciary represents and warrants that Client's participation in the services offered by the Advisor is permitted by the relevant governing instrument of such plan, and that Client is duly authorized to enter into this Agreement. Client agrees to furnish the Advisor with such documents, as they shall reasonably request with respect to the foregoing. Client further agrees to advise the Advisor of any event, which might affect this authority, or the validity of the Agreement. Client additionally represents and warrants (i) that the governing instruments provide that an "investment advisor" as defined under ERISA may be appointed, and (ii) that the person executing and delivering this Agreement on behalf of Client is a "named fiduciary" (as defined under ERISA) who has the power under the plan to appoint an investment manager. If Client is a corporation, the party executing this Agreement on behalf of Client represents that execution of this Agreement has been duly authorized by appropriate corporate action.