

# **Firm Brochure**

## **Form ADV Part 2A**

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Date of Disclosure Brochure: March 29, 2024

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This disclosure brochure provides information about the qualifications and business practices of Bright Investments, LLC (also referred to as we, us, Bright Investments and BI throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact John F. Bright at 334-321-2321 or [jfbright@brightinvestmentsllc.com](mailto:jfbright@brightinvestmentsllc.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Bright Investments, LLC is a registered investment adviser. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Investment Advisor provide you with information about which you determine to hire or retain an Investment Advisor.

Additional information about Bright Investments is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Bright Investments, LLC or our firm's CRD number 269955. The SEC's web site also provides information about any persons affiliated with Bright Investments, LLC who are registered, or are required to be registered, as investment advisor representatives of Bright Investments, LLC.

## **Item 2 – Material Changes**

This section of the brochure details material changes that are made to the disclosure brochure since the prior version and provide readers with a summary of such changes. We will also reference the date of the last annual update of this disclosure brochure.

When we make material changes to this brochure, we will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

Changes to brochure:

- Item 4 – Advisory Business – update assets under management
- Item 5 – Fees and Compensation – added language related to how fees are calculated on funds/assets added or withdrawn during the quarter

Date of the last Disclosure Brochure, prior to the current one: December 7, 2023.

### Item 3 – Table of Contents

Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Introduction.....	4
Description of Advisory Services .....	4
Limits Advice to Certain Types of Investments .....	5
Tailor Advisory Services to Individual Needs of Clients.....	6
Client Assets Managed by Bright Investments .....	6
Item 5 – Fees and Compensation.....	6
Asset Management Services .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients .....	8
Minimum Investment Amounts Required .....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Methods of Analysis .....	8
Investment Strategies .....	10
Risk of Loss.....	10
Item 9 – Disciplinary Information.....	11
Item 10 – Other Financial Industry Activities and Affiliations .....	12
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	12
Code of Ethics Summary .....	12
Affiliate and Employee Personal Securities Transactions Disclosure.....	13
Item 12 – Brokerage Practices.....	13
Block Trading Policy.....	13
Item 13 – Review of Accounts .....	14
Account Reviews and Reviewers.....	14
Statements/Confirmations and Reports/Invoices .....	14
Item 14 – Client Referrals and Other Compensation.....	14
Item 15 – Custody .....	15
Item 16 – Investment Discretion .....	16
Item 17 – Voting Client Securities.....	16
Item 18 – Financial Information.....	17

#### **Item 4 – Advisory Business**

Bright Investments, LLC (“Bright Investments”) is an SEC registered investment adviser firm based in Auburn, Alabama and organized as a limited liability company under the laws of Alabama.

- Bright Investments, LLC has been in business since 2015 to manage institutional and private client assets. Bright Investments LLC is wholly owned by Bright Holdings, LLC, a 100% employee-owned entity. The mission at Bright Investments is to deliver financial performance to our clients while maintaining focus on our fiduciary duty to always put client needs ahead of our own.
- John F. Bright owns 63% of Bright Holdings.
- Thomas M. Kucera owns 21% of Bright Holdings.
- Sarah J. Zink owns 8% of Bright Holdings.
- Three other individuals own less than 3% of Bright Holdings.

Full details of the education and business background of Managing Members is provided in the Disclosure Supplements, provided separately.

Our investment objective is long-term total return through capital appreciation and dividends. Bright Investments is focused on delivering investment performance for its clients through a combination of careful equity selection and attention to valuation.

#### **Introduction**

The investment advisory services of Bright Investments are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of Bright Investments (referred to as your investment adviser representative throughout this brochure).

#### **Description of Advisory Services**

The following are descriptions of the primary advisory services of Bright Investments. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Bright Investments before we can provide you the services described below.

**Asset Management Services** – Bright Investments offers asset management services, which involves Bright Investments providing you with continuous and ongoing supervision over your specified accounts. We offer discretionary and non-discretionary accounts to clients.

Bright Investments will provide you with the account opening paperwork and assist you with the account opening process. During the account opening process, you must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by the qualified custodian, under your name. Bright Investments utilizes Shareholder Services Group/Pershing as the qualified custodian (referred to as “custodian” hereafter). The custodian maintains physical custody of all funds and securities of the Account, and you retain all rights of ownership

(e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Such instructions/restrictions must be received by us in writing.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

**Project-Based Financial Planning (Hourly)** - Project-based financial planning includes an evaluation of a client's current and future financial state by using currently known variables to estimate future cash flows, asset values and withdrawal plans. Once the information is reviewed, we conduct various analyses and discuss the findings with the client. Ultimately, the client will receive a written or electronic report, providing the client with a detailed financial plan designed to help achieve his or her stated financial goals and objectives. The client is under no obligation to act upon our recommendations. As a client considers the financial plan and whether to proceed with some, all, or none of them, we want to point out that a conflict exists between the interests of our firm and the client. If the client elects to act on any of the financial plan recommendations, the client is under no obligation to open an account at Bright Investments or affect the recommended transactions through our firm.

### **Limits Advice to Certain Types of Investments**

Bright Investments provides investment advice on the following types of investments:

- Exchange-listed Securities, such Stocks and Equity Securities
- Securities/Stocks Traded Over-the-Counter
- Foreign Issues traded on U.S. exchanges
- U.S. Government Securities and other Fixed Income (e.g. Bonds) Securities

- Registered Investment Companies, such as mutual funds
- Electronically Traded Funds (ETFs)
- Private Funds

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Tailor Advisory Services to Individual Needs of Clients**

Bright Investments' advisory services are always provided based on client needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

In consultation with your Investment Advisor Representative (IAR), a portion of your portfolio will be held in cash, cash equivalents or money market funds as part of the overall investment strategy for the account. Depending on your IAR's investment outlook or strategy, these cash balances can be high and represent a material portion of your overall portfolio. Cash and cash equivalents, including money market funds, are subject to your advisory fee. Clients should understand that the advisory fees charged on these balances may exceed the returns provided by cash, cash equivalents or money market funds, especially in low interest rate environments. You should discuss such strategies with your IAR to ensure your full understanding.

### **Client Assets Managed by Bright Investments**

As of December 31, 2023, assets under management were \$131,950,992.88

## **Item 5 – Fees and Compensation**

Lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Bright Investments.

### **Asset Management Services**

For Asset Management Services, Bright Investments receives fees quarterly in arrears, based on a percentage of assets under management. Annual fees are divided and billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your accounts as of the last business day of the billing period. Additions and withdrawals of funds/assets during the quarter are taken into consideration and the fee is calculated only for the days funds/assets are in the account. Fees are prorated (based on the number of days that service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services commence in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period. Fees are subject to negotiation at Bright Investments' sole discretion.

***Annual Fee for Bright Investments Separately Managed Accounts***

<u>Assets Under Management</u>	<u>Management Fee</u>
First \$1 million	1.25%
Next \$9 million	1.00%
Next \$40 million	0.95%
Thereafter	0.75%

Services continue until terminated by either party (i.e., Bright Investments or you) by giving thirty (30) days written notice to the other party. Because fees are billed in arrears, Bright Investments will prorate the final fee payment based on the number of days that services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Bright Investments believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., internal advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the custodian of your account. You will authorize the custodian of your account to deduct fees from your account and pay such fees directly to our firm. As part of the quarterly performance report, our firm will send you a billing invoice at the time that fee deduction instruction is sent to the custodian(s) of your account. The billing invoice will detail the formula used to calculate the fee, the assets under management and the time period covered. See *Item 15 – Custody* for more details.

You will receive account statements from the custodian. You should review these carefully to verify that the appropriate investment advisory fees are being deducted. The custodian will not verify the accuracy of the investment advisory fees deducted. If you find any discrepancies during your review, please notify us promptly.

Brokerage expenses and/or transaction ticket fees charged by the custodian are billed directly to you by the custodian. Bright Investments does not receive any portion of such commissions or fees from you or the custodian. In addition to our compensation, you will also incur charges imposed by advisers to both mutual funds and private funds that are separate and distinct from our fees (e.g., internal management/advisory fees and other fund expenses). Management fees charged by Bright Investments

are separate and distinct from the fees and expenses charged by mutual funds that may be recommended to you. A description of these fees and expenses are available in each mutual fund's prospectus. We do not receive any portion of the fees or expenses charged by mutual funds.

Bright Investments and our supervised persons do not accept or receive compensation based on the sale of securities or other investment products such as asset-based sales charges or service fees from the sale of mutual funds.

### ***Project-based Financial Planning (Hourly Fees)***

If we are engaged for financial planning under a Project-Based Financial Planning arrangement, the cost of which is estimated based upon the scope and complexity of the project as well as the time involved. The firm's hourly rate is \$200 per hour, billed in 15-minute increments. Prior to entering into an agreement with the firm, you will receive an estimate of the overall cost, which may contain a fee range rather than one, fixed price. We may require a deposit in advance for financial planning engagements; this deposit will be half of the lowest estimated total fee. The balance of our planning fee is generally due upon delivery of your plan.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Bright Investments does not charge performance-based fees and does not conduct side-by-side management.

## **Item 7 – Types of Clients**

Bright Investments generally provides investment advice to the following types of clients:

- Private clients
- Banks or thrift institutions
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

The minimum amount of assets that a client must place under management to open a separately managed account is \$1,000,000, provided that the account minimum is subject to negotiation at Bright Investments' sole discretion.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

We are fundamental analysts. Our research process is bottom-up driven. We use quantitative sector comparatives to select the companies that fit our investment strategy. From this list, we determine which



companies have the most compelling business models, demonstrated management execution, and attractive valuation.

The risk associated with fundamental analysis is subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

The most compelling business models are discovered by reading annual reports, SEC filings, trade journals, and industry reports. Particularly important is analyzing competitors' business models relative to our target investment. We analyze track records, insider ownership and visit management when practical to evaluate management effectiveness. To find attractive valuation, we create financial models to project earnings potential and risk as compared to alternatives.

Our portfolio stock selection is based on conviction and valuation. We rank stocks based on conviction and add them to the portfolio based on valuation. If an investment value is too high or we believe a better opportunity exists, then we replace the investment from our bench of investment ideas. With the exceptions of energy and cash, we do not have fixed sector weightings. However, we are cognizant of the risk-reducing benefits of diversification across sectors, and we therefore increase the hurdle for adding additional stocks from a given sector as that sector's portfolio weighting increases.

**System Failures and Reliance on Technology:** BI's investment strategies, operations, research, communications, risk management, and back-office systems rely on technology, including hardware, software, telecommunications, internet-based platforms, and other electronic systems. Additionally, parts of the technology used are provided by third parties and are, therefore, beyond our direct control. We seek to ensure adequate backups of hardware, software, telecommunications, Internet-based platforms and other electronic systems, when possible, but there is no guarantee that our efforts will be successful. In addition, natural disasters, power interruptions and other events may cause system failures, which will require the use of backup systems (both on- and off-site). Backup systems may not operate as well as the systems that they back up and may fail to properly operate, especially when used for an extended period. To reduce the impact a system failure may have, we continually evaluate our backup and disaster recovery systems and perform periodic checks on the backup systems' conditions and operations. Despite our monitoring, hardware, telecommunications, or other electronic systems malfunctions may be unavoidable, and they may result in consequences such as the inability to trade for or monitor client accounts and portfolios. If such circumstances arise, the Firm will consider appropriate measures for clients.

**Cybersecurity:** A portfolio is susceptible to operational and information security risks due to the increased use of the Internet. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices through "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by third-party service providers may cause disruptions and impact the business operations of service providers and BI, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs. While BI has established business continuity plans and risk management systems designed prevent or reduce the impact of such cyberattacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cyberattack tactics.

**Pandemic Risks:** The outbreak of the novel coronavirus rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies, and the markets in general, the impact of which cannot necessarily be foreseen at the present time. This has created closed borders, quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the recent coronavirus outbreak or future infectious diseases may exacerbate other pre-existing political, social, and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. This pandemic and other epidemics and pandemics that may arise in the future could result in continued volatility in the financial markets and could have a negative impact on investment performance.

### **Investment Strategies**

We are value investors. We are not market timers nor closet indexers. Our investment philosophy is that a portfolio of mid-to-large capitalization quality companies purchased at attractive valuations should outperform the market and offer below-average risk over the course of an economic cycle.

Our core investment strategy focuses across five U.S. sectors we believe represent the greatest risk-reward opportunity. We believe that the financial, energy, technology, healthcare and utility sectors combined represent approximately 70% of U.S. public company profits. We would seek to hold about 15-50 companies spread across the five sectors. Because many of the companies we target may be susceptible to inflation pressure, we use energy as a hedge against inflation, and we would expect energy to represent one of our smallest sector weightings under most circumstances. Because we are opportunistic and patient, we may choose to hold a sizable cash position in order to move quickly on opportunities once they manifest. We define “quality” companies as those with strong, cash-generating business models, competitive moats, recurring revenue streams, and shareholder-friendly managements with a history of growing dividend payments. We apply a skill set developed from our careers in fundamental analysis to identify companies that meet these criteria, and to then opportunistically acquire shares in response to market movements that offer a compelling valuation. Once an investment has been added to the portfolio, we continue to monitor the shares and ensure that the investment thesis remains intact. We target a multi-year holding period for investments, though holding periods may be shorter if we judge that the investment thesis is no longer intact, or if we believe that superior alternative investments are available. When selling, we give keen attention to taxes, as applicable to each client.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Non-diversification Risk – Since we focus investments within five sectors, our strategy is not as diversified as it would be if we included more sectors. As a result, an increase or decrease in the value of a single security, or a change in one of the focus sectors, may have greater impact on total return. Being non-diversified may also make a strategy more susceptible to financial, economic, political or other developments that may impact a security or sector. Although we may from time to time hold more securities than at other times, our non-diversified strategy gives our portfolio manager more flexibility to hold larger positions in a smaller number of securities and the focus sectors.
- Company Risk - When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystemic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Currency Risk – The value of an investment may fall as a result of changes in exchange rates. This is generally true of investments that generate revenue or hold substantial assets outside the U.S.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Competition Risk – Bright Investments will compete with a large number of firms, some of which may have substantially greater financial resources, as well as larger research and trading staffs, than are available to Bright Investments. Competitive investment activity by other firms may reduce clients' opportunity for profit by reducing the variety of investment opportunities available to BI for investment on behalf of its clients.

## **Item 9 – Disciplinary Information**

Bright Investments has no legal or disciplinary events to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Bright Investments has two affiliates:

1. **Avondale Futures Group, LLC.** Avondale Futures Group is an independent introducing broker that specializes in cotton futures and options trading, as well as market information. The affiliate relationship exists because both Bright Investments and Avondale Futures Group are owned by Bright Holdings, LLC. Bright Investments and Avondale Futures Group do not currently have any clients in common. Clients of Avondale Futures Group may be introduced to the investment advisory services offered by Bright Investments and solicited to become clients. The clients of Bright Investments are not solicited to become clients of Avondale Futures Group. Please note that there is an inherent conflict of interest when Avondale personnel recommend Bright Investments for advisory services, as the success of Bright Investments impacts the success of Avondale, due to their common ownership. Similar investment advisory services may be available elsewhere for a lower cost to the client.
2. **Lyons View Capital, LLC.** Lyons View Capital is an SEC registered investment advisor that serves institutional clients. The affiliate relationship exists because both Bright Investments and Lyons View Capital have ownership by Bright Holdings, LLC. Bright Investments and Lyons View Capital do not currently have any clients in common. Clients of Lyons View Capital may be introduced to the investment advisory services offered by Bright Investments and solicited to become clients. The clients of Bright Investments are also solicited to become clients of Lyons View Capital. Please note that there is an inherent conflict of interest when Lyons View Capital personnel recommend Bright Investments for advisory services, as the success of Bright Investments impacts the success of Lyons View Capital, due to their common ownership. Similar investment advisory services may be available elsewhere for a lower cost to the client.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Bright Investments has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. Bright Investments' Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Bright Investments requires its supervised persons to consistently act in your best interest in all advisory activities. Bright Investments imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Bright Investments. If you wish to review the Code of Ethics in its entirety, it is linked on our public website at: <https://www.brightinvestments.com/code-of-ethics>. Also, you may request a copy and we will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Bright Investments or supervised persons of the firm may buy or sell for their personal accounts, investments identical to those recommended to clients. This creates a conflict of interest. It is the express policy of Bright Investments that all persons supervised in any manner by our firm must act in the client's best interest when implementing personal investments. As is required by our internal procedures manual, Bright Investments and its supervised persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm, unless the information is also available to the investing public upon reasonable inquiry.

Any trading for employee or affiliated accounts is prohibited from frontrunning or disadvantaging trading for client accounts.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, supervised persons). Any supervised person not observing our policies is subject to sanctions up to and including termination.

### **Item 12 – Brokerage Practices**

If you choose to hire our firm for Asset Management Services, we require clients to utilize Shareholder Services Group/Pershing as the custodian for your account(s). Bright Investments will periodically review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations. Bright Investments receives benefits from Shareholder Services Group/Pershing that include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; receipt of compliance publications; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors. No single criteria will validate nor invalidate a custodian or service provided used, but rather, all criteria taken together will be used in evaluating the currently-utilized custodian.

Please note that the custodian we require, Shareholder Services Group/Pershing, may be more expensive than others available and we do not represent or guarantee that Shareholder Services Group/Pershing is the least expensive in the industry. The receipt of benefits is a conflict of interest because it creates an incentive for us to require that you use Shareholder Services Group/Pershing as the custodian for your account(s). We believe this requirement is in the client's best interest given the value of services that Shareholder Services Group/Pershing provides, as well as the fees that it charges. We do not receive referrals from any custodians.

### **Block Trading Policy**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Bright Investments believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Bright Investments uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. Bright Investments will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Bright Investments or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by John F. Bright and Thomas M. Kucera, with reviews performed in accordance with your investment goals and objectives.

### **Statements/Confirmations and Reports/Invoices**

You are provided with transaction confirmation notices and regular account statements directly from the custodian.

Additionally, Bright Investments provides performance reports and invoices to you quarterly.

You are encouraged to compare the reports and invoices provided by Bright Investments with the account confirmations and statements delivered by the custodian. If you have questions about the documents you receive, please contact us, as well as the custodian.

## **Item 14 – Client Referrals and Other Compensation**

Bright Investments does not directly or indirectly compensate any person for client referrals.

The only compensation received by Bright Investments is from advisory services as described in *Item 5* and benefits described in *Item 12* of this Disclosure Brochure. No other compensation is received by Bright Investments.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor can access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

To diminish the possibility of fraud, BI does not act as a qualified custodian for your assets. All client accounts are held at an independent custodian that provides a separate monthly or quarterly accounting directly to you.

In addition to the above, the following custody related items should be noted:

- **Custody Subject to Exam:** In a limited number of instances, and under a specific written request or appointment, a member of Bright Investments may act as a Trustee, Executor, Personal Representative or otherwise have full power of attorney for specific client accounts. In these instances, (where Bright Investments is deemed to have custody of assets subject to exam), on an annual basis, these accounts are subject to a random, surprise examination by an independent certified public accountant. The results of these surprise annual examinations can be found on the SEC website.
- **Advisory Fees:** Furthermore, as part of our billing process for certain clients, the custodian is advised of the amount of the fee to be deducted from that client's account, and the custodian is authorized to pay Bright Investments its fee directly. As a result, you should receive at least quarterly statements from the independent custodian that holds and maintains your investment assets. Bright Investments urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our supplemental statements may vary from the qualified custodial statements based on accounting procedures, reporting dates, valuation methodologies or other differences in reporting of certain securities.

Bright Investments is also deemed to have constructive custody of client funds and securities whenever Bright Investments is given written authority to deduct fees directly from client accounts. For accounts in which Bright Investments is deemed to have constructive custody, we have established procedures to ensure all client funds and securities are held at a custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the custodian's name, address and the way the funds or securities are maintained. Finally, account statements are delivered directly from the custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review the statements and are urged to compare the statements with reports and invoices received from Bright Investments. When clients have questions about their account statements, they should contact the custodian preparing the statement. If you have questions about the reports and invoices received from Bright Investments, please contact us.

When fees are deducted from an Account, Bright Investments is responsible for calculating the fee and delivering instructions to the custodian. At the same time Bright Investments instructs the custodian to deduct fees from your account; Bright Investments will send you an invoice itemizing the fee. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

### **Item 16 – Investment Discretion**

When providing asset management services, Bright Investments maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities, the amount of securities that can be bought or sold and the broker or dealer to be used for your portfolio without obtaining your prior consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations, and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Bright Investments so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### **Item 17 – Voting Client Securities**

Bright Investments does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your Account.

You will receive proxies directly from the custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.



### **Item 18 – Financial Information**

Bright Investments does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Bright Investments has not been the subject of a bankruptcy petition at any time.