

**Part 2A of Form ADV: *Firm Brochure***

**Vaughan & Co. Securities, Inc.**

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01/04/2021

This brochure provides information about the qualifications and business practices of Vaughan & Co. Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 201-444-1361 or [kck@vaughanandco.com](mailto:kck@vaughanandco.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Vaughan & Co. Securities, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 18826.

## **Item 2     Material Changes**

This Firm Brochure, dated 01/31/2020, provides you with a summary of Vaughan & Co. Securities, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously disclosed in our Firm Brochure dated 02/03/2020:

- Vaughan & Co. Securities, Inc. has updated their Assets under Management (Item 4).
- Vaughan & Co. Securities, Inc. has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.
- Vaughan & Co. Securities, Inc. is no longer registered a broker/dealer. (Item 12).
- Vaughan & Co. Securities, Inc. no longer utilizes Pershing, LLC as their custodian. (Items 5, 12, & 13.)

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## **Item 4     Advisory Business**

Vaughan & Co. Securities, Inc. is a state-registered investment adviser with its principal place of business located in New Jersey. Vaughan & Co. Securities, Inc. began conducting business in 1986.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- James D. Vaughan, Jr. Grantor Trust, Trust

As of March 2020, Vaughan & Co. Securities, Inc. managed \$88,000,000.00 on a discretionary basis and \$97,000,000.00 on a non-discretionary basis.

Vaughan & Co. Securities, Inc. offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background. We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Exchange Traded Funds
- Mutual fund shares
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Options contracts on securities
- Other - Advice is offered on diversification of concentrated stock positions and management of capital gain tax recognition.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Once the client's portfolio has been established, we review the portfolio periodically, and if necessary, rebalance the portfolio periodically but no less than annually, based on the client's individual needs.

## **PENSION CONSULTING SERVICES**

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

### *Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

### *Selection of Investment Vehicles:*

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

### *Monitoring of Investment Performance:*

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. We supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

### *Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops may provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

In addition, through our affiliate, Pension Administrators, Inc., we offer retirement plan administration services.

## FINANCIAL PLANNING

Vaughan & Co. Securities, Inc. provides financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client to achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years, then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability and long-term care.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, long term care, Medicare and elder law issues.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney and accountant. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within six months of the contact date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **ADVISORY REFERRAL SERVICES**

Vaughan & Co. Securities, Inc. acts as a solicitor on behalf of various independent registered investment advisers. Based on a client's individual circumstances and needs, we will assist the client in determining which independent adviser's portfolio management services are appropriate for that client. Factors considered in making this determination, including account size, risk tolerance, and a client's investment experience, are discussed during our consultation with the client.

Vaughan & Co. Securities, Inc. will meet with the client on a regular basis, or as determined by the client, to review the account. We will, when needed, suggest changes in the client's portfolio, typically increases or decreases in asset allocations, to more effectively address each client's goals. These recommendations are our own, and are neither recommended nor approved by any independent advisers.

Any additions or subtractions of capital in the client's portfolio are done with the client's approval, and will be reviewed and implemented by the independent investment adviser. At the time of conducting the advisory solicitation, Vaughan & Co. Securities, Inc. will ensure that all federal and/or state specific requirements governing solicitation activities are met.

## **CONSULTING SERVICES**

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **Item 5 Fees and Compensation**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS")**

##### **INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Vaughan & Co. Securities, Inc.'s investment advisory clients receive a monthly notice in advance of our fee. The fee will be based on the account asset value on the last day of the previous month. No adjustments will be made to the fee for any additions, withdrawals, appreciation or depreciation in the value of the securities held in the account during any monthly fee period.

Vaughan & Co. Securities, Inc.'s current fee schedule is as follows:

All securities trades will be executed at a cost of \$21 per trade to the Client. Load mutual funds are executed at \$0 per trade to the Client.

##### Vaughan Asset Allocation Program Fee Schedule

Annualized Fee based on total value of all Family accounts.

Up to \$5,000,000	1.50%
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Over \$5,000,000 to \$7,500,000	1.40%
Over \$7,500,000 to \$10,000,000	1.30%
Over \$10,000,000 to \$12,500,000	1.20%
Over \$12,500,000 to \$15,000,000	1.10%
Over \$15,000,000 to \$20,000,000	1.00%
Over \$20,000,000 to \$25,000,000	0.90%
Over \$25,000,000 to \$30,000,000	0.80%
Over \$30,000,000	Sliding Scale Thereafter

Vaughan Dividend Growth Program Fee Schedule + Performance Fee\*

Annualized Fee based on total value of all Family accounts.

Up to \$5,000,000	1.50%
Over \$5,000,000 to \$7,500,000	1.40%
Over \$7,500,000 to \$10,000,000	1.30%
Over \$10,000,000 to \$12,500,000	1.20%
Over \$12,500,000 to \$15,000,000	1.10%
Over \$15,000,000 to \$20,000,000	1.00%
Over \$20,000,000 to \$25,000,000	0.90%
Over \$25,000,000 to \$30,000,000	0.80%
Over \$30,000,000	Sliding Scale Thereafter

\*The performance fee shall equal 10% of investment gains. When a decrease in value occurs, then the performance fee is payable only after the account has appreciated above the net value after the



last performance fee was paid. In the event of an investment loss, performance compensation will only be paid after the client has regained their investment losses.

In measuring the Managed Account client's assets for the calculation of performance-based fees, Vaughan & Co. Securities, Inc. includes: for securities for which market quotations are readily available, the realized capital losses and unrealized capital losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period. As such, we may receive increased compensation with regard to unrealized appreciation as well as unrealized gains in the client's account.

The client must understand the performance-based fee method of compensation and its risks prior to entering into a management contract with us.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF REG. 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. PERFORMANCE-BASED FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

### ***Limited Negotiability of Advisory Fees***

All fees are subject to negotiation. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client's circumstances, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports requested, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

The specific manner in which fees are charged by Vaughan & Co. Securities, Inc. is established in a client's written agreement with Vaughan & Co. Securities, Inc. Vaughan & Co. Securities, Inc. will generally bill its fees on a monthly basis in arrears based on the value of the account at the end of each billing period. Clients may also elect to authorize Vaughan & Co. Securities, Inc. to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement at any time without penalty.

Vaughan & Co. Securities, Inc.'s fee are exclusive of transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are also disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Vaughan & Co. Securities, Inc.'s fee, and Vaughan & Co. Securities, Inc. shall not receive any portion of these fees and costs.

Item 12 further describes the factors that Vaughan & Co. Securities, Inc. considers in selecting or recommending investment advisers for client transactions and determining the reasonableness of their compensation (e.g., fees).

## PENSION CONSULTING FEES

Vaughan & Co. Securities, Inc.'s fees for 401k Consulting Services are based on a percentage of assets under management, according to the following schedule:

<u><b>Assets Under Management</b></u>	<u><b>Annual Fee</b></u>
0 - \$5,000,000	1.50%
Over \$5,000,000	1.40%

## FINANCIAL PLANNING FEES

Vaughan & Co. Securities, Inc.'s Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on a fixed fee basis, typically ranging from \$1,500 to \$2,500, depending on the specific arrangement reached with the client.

## ADVISORY REFERRAL SERVICES FEES

We do not enter into an advisory agreement with any client nor do we charge a fee to any client for referrals to another Adviser(s). Our fees for such referrals are paid by the referred Adviser(s) who shares with our firm a percentage of the fees received from the client. Client advisory fees are not increased in any way as a result of our referral of any clients to another Adviser(s). We typically receive 0.25% of the advisory management fee paid by the client to that Adviser.

Clients will receive a separate disclosure document describing the fee paid to us by such Adviser(s). Clients should refer to that Adviser's disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

## CONSULTING SERVICES FEES

Vaughan & Co. Securities, Inc.'s Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees are calculated and charged on a fixed fee basis, typically ranging from \$1,500 to \$2,500, subject to the specific arrangement reached with the client.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason without penalty upon receipt of written notice. If a client has not received a copy of Part 2A Form ADV at least 48 hours prior to the date of the client agreement, the client shall have the additional right to terminate the agreement within 5 days. In calculating a client's fees, we will pro rate the charge according to the number of days in the billing period.

***Mutual Fund Fees:*** All fees paid to Vaughan & Co. Securities, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their

shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of an investment fee arrangement. In our investment fee program, clients pay a single fee for advisory services and all trades will be charged a \$21 fee for execution. In evaluating such an arrangement, the client should also consider that, depending upon the level of the investment fee charged by the broker/dealer, the amount of portfolio activity in the client's account, and other factors, the investment fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate fees that may be charged to clients.

***Additional Fees and Expenses:*** Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

## **Item 6      Performance-Based Fees**

### **PERFORMANCE-BASED FEES**

As we disclosed in Item 5 of this Brochure, Vaughan & Co. Securities, Inc. accepts a performance-based fee from the client. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the client. To qualify for a performance-based fee arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,100,000 or must have at least \$1,000,000 under management immediately after entering into a management agreement with us.

Clients should be aware that performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

In some cases, Vaughan & Co. Securities, Inc. has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Vaughan &

Co. Securities, Inc. will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Vaughan & Co. Securities, Inc. shall include realized and unrealized capital gains and losses. Performance-based fee arrangements create an incentive for Vaughan & Co. Securities, Inc. to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts in the allocation of investment opportunities. Vaughan & Co. Securities, Inc. has procedures designed and implemented to ensure that all clients are treated fairly and equally to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7    Types of Clients**

Vaughan & Co. Securities, Inc. provides advisory services to the following types of clients:

Individuals (other than high net worth individuals)

High net worth individuals

Pension and profit sharing plans (other than plan participants)

Corporations or other businesses not listed above.

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

Vaughan & Co. Securities, Inc. uses the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Cyclical Analysis.*** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

***Quantitative Analysis.*** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and

leverage as part of our overall periodic risk assessment. Additionally, as part of our due diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Risk of Loss.** Investing in securities involves risk of loss that clients should be prepared to bear. We ask that you work with us to help us understand your tolerance for risk.

## Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

The NASD censured and fined Vaughan & Co. Securities, Inc. \$11,000 for acting through James D.

Vaughan III, allowing James D. Vaughan, Jr. to act as a General Securities Principal of the firm while failing to have registered in such capacity. The firm, acting through James D. Vaughan III, failed to maintain written supervisory procedures mandating that the firm complete an annual training needs analysis, develop a written training plan and implement such plan; failed to maintain written supervisory procedures, or adequate supervisory procedures describing its method of supervision regarding various significant areas of its business operations, including: (1) receipt and forwarding of customer checks made payable to the clearing firm; (2) continuing education; (3) annual compliance meetings; (4) private securities transactions; (5) customer recommendations and suitability; (6) periodic review of customer accounts; (7) review of customer transactions; (8) mutual funds and variable annuities - including sales practices with regard to these business lines; (9) outside business activities; (10) municipal securities mark-ups/mark-downs; (11) suitability requirements for municipal securities; and (12) compliance with MSRB G-37 and G-38. The matter was resolved by Acceptance, Waiver & Consent on July 10, 2000.

For Massachusetts Residents: Massachusetts law requires disclosure that information on disciplinary history and the registration of this firm and our associated persons may be obtained by contacting the Public Reference Branch of the Securities and Exchange Commission at (202) 942-8090. Disciplinary history may also be obtained from the Massachusetts Securities Division at (617) 727-3548, and if asked, Vaughan & Co Securities, Inc. and our associated persons must also disclose the history.

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

### ***MANAGEMENT PERSONNEL Registrations:***

Certain Management personnel of our firm are separately licensed as registered representatives of Vaughan & Co. Securities, Inc., an affiliated FINRA member broker-dealer.

James D. Vaughan, III, CEO, CFO, President

While Vaughan & Co. Securities, Inc. and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

James D. Vaughan III, a member of our firm's management, is an attorney licensed to practice law in the State of New Jersey. However, this individual does not currently provide direct legal services to any client in that capacity and will not act in this capacity for any advisory client of Vaughan & Co. Securities, Inc.

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Insurance products will not be offered to Pennsylvania residents unless such

individuals are appropriately licensed to sell insurance products in Pennsylvania.

Pension Administrators, Inc., an affiliate of Vaughan & Co. Securities, Inc. is a retirement Plan Administration firm and an insurance brokerage agency. James D. Vaughan, Jr. owns 100% of that company.

Pension Administrators, Inc. is also a third-party administrator which provides back office support services to the sponsors of qualified retirement plans for a fee. In particular, Pension Administrators, Inc. provides account recordkeeping services. Pension Administrators, Inc. may refer plan sponsors in need of investment advisory services to our firm. Conversely, we may refer clients in need of third-party administrative services to Pension Administrators, Inc. However, there are no referral fee arrangements between Pension Administrators, Inc. and our firm for these recommendations. Third-party administrative services provided by Pension Administrators, Inc. are separate and distinct from the advisory services we provide, and are provided for separate and typical compensation. No advisory client is obligated to use Pension Administrators, Inc. for any third-party administrative services, and no client of Pension Administrators, Inc. is obligated to utilize our advisory services. Sponsors or trustees of pension, profit-sharing, 401(k), IRA or other client accounts subject to the provisions of ERISA or the prohibited transaction provisions of the Internal Revenue Code are solely responsible for determining whether or not to engage the services of Pension Administrators, Inc.

James D. Vaughan III, a member of our firm's management, is a managing member of Preparing the Next Generation, LLC, a wholly owned subsidiary of Vaughan & Co. Securities, Inc.

Clients should be aware that the receipt of additional compensation by Vaughan & Co. Securities, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Vaughan & Co. Securities, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- insurance products will not be offered to Pennsylvania clients unless Vaughan & Co. Securities, Inc. is appropriately licensed to sell insurance products in Pennsylvania; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for



having a reasonable and independent basis for the investment advice provided to clients.

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

Vaughan & Co. Securities, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition against rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Vaughan & Co. Securities, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

Vaughan & Co. Securities, Inc. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Vaughan & Co. Securities, Inc. has management authority to effect, and will recommend to investment advisory clients or prospective clients, to purchase or sell securities in which Vaughan & Co. Securities, Inc., its affiliates and /or clients, directly or indirectly, have a position of interest. Vaughan & Co. Securities, Inc.'s employees and persons associated with Vaughan & Co. Securities, Inc. are required to follow Vaughan & Co. Securities, Inc.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Vaughan & Co. Securities, Inc. and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Vaughan & Co. Securities Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Vaughan & Co. Securities, Inc. will not interfere with (i) making decisions in the best interests of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Vaughan & Co. Securities, Inc.'s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading to 24 hours after client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Vaughan & Co. Securities, Inc. and its clients.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [kck@vaughanandco.com](mailto:kck@vaughanandco.com), or by calling us at 201-444-1361.

It is Vaughan & Co. Securities, Inc.'s policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Vaughan & Co. Securities, Inc. will also not cross trades between client accounts.

## **Item 12 Brokerage Practices**

Vaughan & Co. Securities, Inc recommends Fidelity Brokerage Services LLC.

These clients must include any limitations on this discretionary authority in this written authority

statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Vaughan & Co. Securities, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Vaughan & Co. Securities, Inc. will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Vaughan & Co. Securities, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker. Vaughan & Co. Securities, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Vaughan & Co. Securities, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Vaughan & Co. Securities, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer or the Senior Managing Supervisor as soon as possible following the execution of the

aggregate trade.

8) Vaughan & Co. Securities, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Vaughan & Co. Securities, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

### **Item 13    Review of Accounts**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS")**

##### **PORTFOLIO MANAGEMENT SERVICES**

##### **INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed periodically, and if necessary, rebalanced periodically but no less than annually, based on the client's individual needs. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: James D. Vaughan III, President.

##### **PENSION CONSULTING SERVICES**

**REVIEWS:** Vaughan & Co. Securities, Inc. will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Vaughan & Co. Securities, Inc. will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: James D. Vaughan III, President.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

##### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

## **CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory engagement.

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

It is Vaughan & Co. Securities, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

## **OTHER COMPENSATION**

Vaughan & Co. Securities, Inc. does not engage in any referral arrangements.

### **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account billing statements directly to our clients on a monthly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm is deemed to have limited custody of client accounts solely because advisory fees are directly deducted from client's accounts by the custodian on behalf of Vaughan and Company Securities, Inc.

### **Item 16 Investment Discretion**

Vaughan & Co. Securities, Inc. usually receives discretionary authority from the client at the outset of the advisory relationship to select the identity and amount of securities to be bought or sold. In all

cases, however, such discretion is to be exercised in a manner consistent with the stated objectives for the particular client account. Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Vaughan & Co. Securities, Inc. requires that it be provided with written authority to determine investment guidelines and restrictions, including but not limited to, which securities and the amounts of securities that are bought or sold in a client's account.

## **Item 17    Voting Client Securities**

As a matter of firm policy and practice, Vaughan & Co. Securities, Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Vaughan & Co. Securities, Inc. may provide advice to clients regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18    Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Vaughan & Co. Securities, Inc. has no additional financial circumstances to report.

Vaughan & Co. Securities, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding at any time during the past ten years.