



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

### **Brighton Securities Corp.**

Registered Investment Advisor

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**March 2023**

This brochure provides information about the qualifications and business practices of Brighton Securities Corp. ("Brighton Securities"), an investment advisor registered with the United States Securities and Exchange Commission (the "SEC"). Such registration does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at: (585) 473.3590 or by e-mail at: info@brightonsecurities.com. The information in this brochure has not been approved or verified by the SEC, or by any state securities authority.

Additional information about Brighton Securities is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Conflicts of Interest associated with our clearing firm was updated in Section 12.

### **Full Brochure Available**

Brighton Securities will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close the firm's fiscal year. Brighton Securities may further provide other ongoing disclosure information about material changes as necessary. Clients may request a complete copy of this brochure, by contacting us by telephone at: (585) 473.3590 or by e-mail at: [info@brightonsecurities.com](mailto:info@brightonsecurities.com).

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## **Item 4 Advisory Business**

Brighton Securities is a local, independently owned stock brokerage and financial services firm that was established in 1969. The firm is federally registered with the SEC as an investment advisor.

Brighton Securities is also an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). It is a "full service" broker-dealer engaging in purchases and sales of exchange listed and other publicly traded securities as well as the sale of annuities and other insurance products. Brighton Securities' investment advisory activities are undertaken in conjunction with other financial services offered to clients.

Brighton Securities may recommend other professionals (e.g., lawyers, insurance agents, real estate agents, etc.) at the request of a client. Other professionals are engaged directly by the client on an as-needed basis even when recommended by a Brighton Securities financial advisor. Conflicts of interest will be disclosed to the client and managed in the best interest of the client.

## **Principal Owners**

George T. Conboy is an 69.60% stockholder of Brighton Securities Holdings, Inc. which wholly owns Brighton Securities Corp.

## **Brighton Securities offers the following advisory services to our clients:**

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.

Brighton Securities provides non-discretionary and discretionary investment advisory services geared primarily to individuals, trusts, estates and small businesses that wish to have their accounts managed. Brighton Securities also offers fee-based financial planning, insurance products, and state and federal income tax preparation for a fee.

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
- ☐ Exchange Traded Funds (ETF)
- ☐ Securities traded over the counter
- ☐ Corporate debt securities (other than commercial paper)
- ☐ Commercial paper
- ☐ Certificates of deposit
- ☐ Municipal securities
- ☐ Variable life insurance
- ☐ Variable annuities
- ☐ Mutual fund shares
- ☐ United States governmental securities
- ☐ Options contracts on securities
- ☐ Other

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.

## **Types of Advisory Services offered include:**

Brighton Securities offers managed accounts services through the following programs:

1. Wells Fargo - Investment managers are selected from a group offered through Brighton Securities' relationship with its clearing firm, Wells Fargo Clearing Services, LLC ("Wells Fargo Clearing").

2. Proprietary Managed Account Program can be carried through BSC or Broker/Dealer of client's choice.
3. Consulting Services

The investment advisory programs offered give clients the opportunity to obtain portfolio management services from a select, pre-screened group of investment managers. Pursuant to the programs, investment needs, objectives, and risk tolerance for each client is determined through a review of client completed documentation and in consultation with a Brighton Securities financial advisor. Clients retain the power to appoint and remove a chosen investment manager, at each client's discretion. Brighton Securities may recommend that a client change a manager for any reason but does not assume responsibility for the client's choice of manager or the manager's performance, compliance with applicable laws and regulations, or other matters within the manager's control.

#### **The Services Provided by each Program are as follows:**

1. **Wells Fargo –** Brighton Securities has entered into an agreement with Wells Fargo Advisors, LLC ("WFA"), pursuant to which WFA provides advisory and/or other services with respect to certain managed account programs. Clients investing through investment advisory accounts described herein are clients of Brighton Securities. Brighton Securities is not related to or affiliated with WFA or Wells Fargo Clearing. Wells Fargo Clearing will maintain custody of client assets and it qualifies as a "qualified custodian" as described in Rule 206(4)-2 of the Investment Advisers Act. WFA and Wells Fargo Clearing each reserves the right to reject and not provide services to any client or with respect to any client account for any reason.

WFA provides advisory and other services to Brighton Securities with respect to the following investment programs: Masters, Diversified Managed Allocations, Wells Fargo Compass Advisory, Allocation Advisors, Customized Portfolios and FundSource. Clients should review the appropriate WFA disclosure documents for a complete description of each program. WFA does not provide advisory services to Brighton Securities with respect to the following programs: Private Investment Management, Asset Advisor, Private Advisor Network, and CustomChoice. WFA provides certain non-advisory services which enable Brighton Securities to offer these programs.

2. **SAMI Proprietary Managed Account Program:**

The program utilizes any number of different open & closed end and exchange traded mutual funds, stocks and/or bonds. They are consolidated on one account statement. In addition to the management fee calculated on a percentage of assets under management, the B/D executing the orders may levy ticket charges, commissions, principal trade mark-ups, postage & handling fees on trades. While most clients utilize BSC as the B/D, other B/D's may be utilized at the client's discretion. Therefore, BSC may be acting in the capacity of both the investment advisor and the broker dealer of record and may be receiving management fees in addition to the other costs discussed above. In addition, the client may incur exchange fees levied by the clearing firm. The purpose of this modification is to offer greater flexibility to clients in terms of providing aggressive, intermediate, conservative, or income accounts run under individually tailored programs for the specific client.

#### **(4) 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.

## Managed Assets

As of December 2022, Brighton Securities managed approximately \$549,240,000 in assets for 2044 accounts. Approximately \$360,202,000 is managed on a non-discretionary basis and \$189,037,000 on a discretionary basis.

### Item 5 Fees and Compensation

Client accounts may carry a management fee ranging from .50% - 3.00% depending on account value and type of investment program selected. Fees charged may be higher or lower than those otherwise available if a client were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Fee schedules may be subject to negotiation depending upon a range of factors including, but not limited to, account sizes, and overall range of services provided to a client.

BSC's managed account programs will subject clients to fees from both BSC (BD) and the mutual funds into which BSC invests client's funds. BSC (BD) does not act as principal on bond trades.

Program fees are charged quarterly in advance. The initial fee is calculated as of the date the account is accepted into the program and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter. Unless agreed upon otherwise, you authorize us to deduct a quarterly fee calculated at the rate indicated in the Investment Management Agreement (IMA) for that program from your account, in advance. Fees and other charges will be deducted from the cash and money market positions in an account to the extent available. All clients will be advised that fees assessed by Brighton Securities are in addition to fees that may be charged by a mutual fund or custodian for certain account services. For the purposes of calculating program fees, "total account value" shall mean the sum of the long and short market value of all securities and mutual funds, if applicable. A fee adjustment may be made during any fee period for withdrawals from your account. BSC retains the right to make a fee adjustment for withdrawals from an account on a case-by-case basis. BSC reserves the right to negotiate fees.

The "SAMI Proprietary Management Account Program," requires a minimum of \$10,000 of assets under management. The account size may be negotiable under certain circumstances. Brighton Securities, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

In regard to Brighton's WFA Management Program, all of the accounts in any WFA program are charged a fee on eligible assets that covers advisory, execution, custodial, and reporting services. The minimum account size varies from a minimum of \$25,000 - \$2,000,000 dependent on the program chosen. You may be charged various program fees in addition to the advisory fees. Please refer to specific brochure for more detailed information.

SAMI managed account programs - in some instances, related persons may receive 12 b-1 fees from the mutual funds.

No fee adjustments will be made during any fee period based on the appreciation or depreciation of the value of account assets during a calendar quarter. An account may be charged or refunded a portion of a quarterly fee should any net addition or net withdrawal occur in a calendar month. Fees will be assessed in the month following the net addition or net withdrawal and will be based on the value of the account assets.

**Limited Negotiability of Advisory Fees:** Brighton Securities retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the fee

schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reports, among other factors. The specific annual fee schedule is identified in the contract between the advisor and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **ADVISORY REFERRAL SERVICES FEES**

We do not refer clients to advisors for a fee. Although through our wrap fee program we do offer guidance in the selection of advisors, the client is charged one fee that we share with the chosen advisor. We do enter into an advisory agreement with a client for this service. The total fee will not exceed 3%.

Clients will receive both our disclosure document and the other Advisor's disclosure document for information regarding its fees, billing practices, minimum required investments, and termination of advisory agreements.

### **CONSULTING SERVICES FEES**

Brighton Securities Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All Consulting Service fees are agreed upon on a case by case basis with each client and can consist of either an hourly fee ranging from \$150 to \$1,000 per hour or a fixed flat fee, subject to the specific arrangement reached with the client.

### **GENERAL INFORMATION**

Execution of investment advisory program selection through Brighton Securities may result in economic benefit to Brighton Securities directly or to a Brighton Securities financial advisor in their capacity as a registered representative of the firm. Economic benefit may be in the form of transaction or ticket charges, commissions, or fees which may be earned by Brighton Securities or its registered representatives in their respective capacities as a broker and broker-dealer representative. All fees paid to Brighton Securities for its services are separate and distinct from the fees and expenses charged by mutual funds and/or insurance companies for their respective products. These fees are disclosed in each fund's and company's prospectus or product brochure and will generally include a management fee, other expenses, and a potential distribution or wrap fee. If an insurance product (variable annuity or fixed annuity, for example) also employs a sales charge, a client may pay an initial or deferred sales charge.

Non-brokerage-related fees, such as individual retirement account fees, are not included in a wrap fee and may be charged to a client account separately. As more fully described above, fees charged may be different depending on the asset type invested in by an account.

To the extent a client purchases insurance product recommended by Brighton Securities, certain licensed insurance agents who are also Brighton Securities financial advisors and registered representatives may receive commission(s).

***Termination of the Advisory Relationship:*** Your Investment Management Agreements may be terminated by either party, at any time, upon notice. If you terminate your Agreement, a pro rata refund will be made, less reasonable start-up costs. You have the right, within five (5) days of execution, to terminate the Client Agreement without penalty. In the event of cancellation of Client Agreements, fees previously paid pursuant to the IMA will be refunded on a pro rata basis, as of the date of notice of such cancellation is received by the

non-canceling party, less reasonable start-up costs.

BSC reserves the right to terminate this agreement if client's redemptions of portfolio share (other than redemptions effected to pay fees) cause the value of the portfolio shares held in the account to fall below \$10,000, provided that client has not invested additional amounts sufficient to restore such value to at least \$10,000 within thirty days after receiving written notice of some form from BSC. In addition, the agreement will terminate automatically five calendar days after all portfolio shares are redeemed for any reason and no program assets remain in client's account.

BSC may terminate the managed account program described herein by giving written notice to all clients. Termination of the program will cause the agreement to terminate automatically and simultaneously.

In the event of the termination of the SAMI Proprietary Managed Account Program in any manner, SAMI will have no independent obligation to recommend or take any action with regard to the securities, cash or other investment in the account and SAMI will be under no obligation to liquidate any securities owned by the client.

If a client chooses to terminate an agreement under any of the offered investment advisory programs, Brighton Securities can liquidate a client account upon instruction. Brighton Securities usually does not charge for such redemption; however, clients should be aware that certain mutual funds may impose redemption fees as disclosed in the fund prospectus and in some instances a \$20 ticket charge per trade will be charged. Clients should be aware that the decision to liquidate securities may result in tax consequences that should be discussed with a tax advisor.

Brighton Securities will not be responsible for market fluctuations in a client account from the time of notice until liquidation is completed. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities markets be unavailable, or trading suspended, efforts to trade will be resumed as soon as possible. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It may take several business days under normal market conditions to process a client request.

If a program account is terminated, but a client maintains a brokerage account with Brighton Securities, the money market fund used in a "sweep" arrangement may be changed and/or shares may be exchanged for shares of another series of the same fund. Clients will bear a proportionate share of the money market fund's fees and expenses and will be subject to the customary brokerage charges for any securities positions sold in an account after the termination of program services.

**Mutual Fund Fees:** All fees paid to Brighton 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.

**Wrap Fee Programs and 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 advisors, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory and brokerage services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the

level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap 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 program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Brighton Securities minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** Brighton Securities is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively.

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

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

Brighton Securities does not charge performance-based fees or fees based on a share of capital gains on, or capital appreciation of, the assets of a client account.

## **Item 7 Types of Clients**

Brighton Securities 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
- Charitable organizations
- Estate
- Trusts
- Corporations or other businesses not listed above

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**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.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

**Relative Strength (price momentum).** Price momentum conveys unique different information about the prospects of a stock and is a much better indicator than factors such as earnings growth rates. Many look at the disappointing results of buying stocks with the highest earnings gains and wonder why they differ from the best one-year price performers. First, price momentum is the market putting its money where its mouth is. Second, the common belief that stocks with strong relative strength also have the highest PE ratios or earnings growth rates is wrong. When you look at the top one-year performers over time, you find they usually have PE ratios 30-50 percent higher than the market, but rarely the highest in the market. The same is true for five-year earnings per share growth rates and one-year earnings per share growth rates. As a group, they are usually higher than the market, but not by extraordinary amounts.

**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.

**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.

Additional sources of information include Credit Suisse, ASG, Moody's, Standard & Poors, ValuEngine, financial newspapers and magazines, prospectuses, research material prepared by others and annual reports.

**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.

Research is conducted along technical lines, adhering to the relationship between supply and demand. Fundamental research tells us what ought to happen, while technical research tells us what is happening with indications of future probabilities. There is no guarantee that technical analysis can accurately predict the market, and there is potential for loss with any investment strategy. Technical analysis gives us the discipline to take timely action.

SAMI Proprietary Managed Account Program - methods of analysis include all methods listed above including information sources such as Morningstar, the internet, and other publications. Investment strategies include momentum comparison and comparison to peers in universe of funds.

### **INVESTMENT STRATEGIES**

The investment strategy for a specific client is based upon the objectives, income needs, and tax situation stated by the client during consultation(s). In order to provide a suitable strategy based on individual investment needs, clients must complete an account profile with the assistance of a Brighton Securities financial advisor. The account profile outlines a client's investment objectives, financial circumstances, risk tolerance and any restrictions a client may wish to impose on investment activities. Brighton Securities will notify clients in writing periodically and request that they update account profile information and indicate if there have been any changes in their financial situation, investment objectives, or instructions. Clients agree to inform Brighton Securities in writing of any material change in financial circumstances that might affect the manner in which assets should be invested. A Brighton Securities financial advisor will be reasonably available to clients for consultation on these matters and will act on any changes in an account profile deemed to be material or appropriate as soon as practical after becoming aware of the change.

**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.
- The client is in a high tax bracket.

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.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- Having a long-term investment in a security that was designed to be a short-term purchase, or
- The potential of having to take a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
2. *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
3. *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
4. *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Leveraged and Inverse ETFs and ETNs Risk.** Leveraged ETFs and ETNs, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs and ETNs. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives, to the positive or negative, are possible and may or may not correct themselves over time. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs and ETNs.

### **Margin transactions. Risk in the Use of Margin**

To the extent margin is used in your account, you should be aware that the margin debit balance will not reduce the market value of eligible assets and will therefore increase the asset-based fee you are charged. The increased asset-based fee may provide an incentive for your Financial Advisor to recommend the use of margin strategies. The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because

it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** All investment advisory programs have certain risks that are borne by the investor. Brighton Securities' investment approach keeps the risk of loss in mind. However, as with all investments, clients face investment risks including the following: loss of principal risk, interest-rate risk, market risk, inflation risk, currency risk, reinvestment risk, business risk, liquidity risk, and financial risk.

**Cash Balances.** We invest client's cash balance in money market funds.

## **Item 9 Disciplinary Information**

Brighton Securities is a registered broker-dealer and a registered investment advisor. The disciplinary event listed below is related to the broker-dealer activities.

On 12/28/2017 Brighton Securities consented to the following findings by FINRA; Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to reasonably supervise the sales practices of a registered representative who engaged in a pattern of unsuitable short-term trading of Class A mutual fund shares in six customer brokerage accounts. Brighton Securities was ordered to pay \$19,454.11 plus interest in restitution and was fined \$50,000.

Information about Brighton Securities is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

### ***FIRM Registrations:***

Brighton Securities Corp is a broker dealer and under common ownership with Brighton Securities Corp, the Advisor and Brighton Securities Capital Management.

As noted above, almost all of the registered representatives of Brighton Securities Corp and also registered with both Brighton Securities Corp, the Advisor and Brighton Securities Capital Management. In their roles, registered representatives of Brighton Securities receive compensation for the sale of investment products to Brighton Securities Corp, the Advisor clients and Brighton Securities Capital Management clients if corresponding separate accounts are established. There is no inherent conflict of interest between BSCM and the Advisor, as they are under common ownership and both utilize the same clearing firm and fee structure, eliminating any

compensation incentive for representatives to direct clients to one over the other. Representatives of the Adviser do not receive separate compensation for the sale of investment products from clients of BSCM. Investment adviser representatives of Brighton Securities Capital Management, like all investment adviser professionals are required to act in the best interests of their clients.

Brighton Securities clearing relationship with WFA provides Brighton Securities with economic benefits by using WFA. Brighton receives additional good standing benefits from WFA when total Brighton account values at WFA maintain certain thresholds. Specifically, Brighton receives a credit of \$15,000/month for assets under management of up to \$1 billion, \$20,000/month for up to \$2 billion AUM, and \$25,000/month for up to \$3 billion AUM. WFA, to help defray the cost associated in transferring certain client accounts onto Brighton's platform custodied at WFA, reimburses Brighton a portion of the termination and transfer fees incurred by a client that qualifies for such assistance.

In April 2020, we renegotiated an amendment to the clearing agreement's Pricing Schedule A, that included an extension of the contract to 2025 and an upfront lump-sum cash extension award of \$500,000. This award is used for the considerable operations, technology, and compliance expenses. We have a pro-rated termination Fee Schedule should we terminate its clearing agreement prior the end of the contract term in August 2025.

This additional compensation received by Brighton in its broker/dealer capacity creates a conflict of interest with clients because Brighton has an economic incentive to use WFA as its clearing firm for trade execution and custody over other firms that do not or would not provide these incentives to Brighton. However, the transition dollars are a common occurrence in the industry, and other Clearing Firms offer similar arrangements. A change to another Clearing Firm would likely generate the same award and is a significant undertaking for a broker dealer and its clients. The use of a Clearing Firm is a long-term commitment and integral part of our broker dealer's business model, operations and product and service offerings; thus it is not a change to be made frequently. For the IARs who are also broker agents with the BD, use of the Clearing Firm provides advantages for clients in that their financial professional can offer both products and services in a comprehensive and coordinated manner. Clients with both brokerage and advisory accounts at the Clearing Firm are able to enjoy the benefits of working with one custodian, such as consolidated reporting, costs advantages of householding, ease of transferring funds and securities between accounts, and the same contact to service the accounts. Clients have a wide range of access to products, reporting, and services at a single custodian.

Brighton Securities Corp addresses these conflicts of interest through internal exception reports and ongoing reviews to ensure the services provided by the Clearing Firm remain appropriate for our firm and clients. As an introducing firm, we also obtain our clearing firm's quarterly order routing report as well as monthly trade reports, which offer comparison data in various markets that measure our clearing firm's execution performance against other firms and industry averages. The metrics we are reviewing in the report are provided by S3 Matching Technologies, a third party that conducts an independent analysis of execution quality. Additionally, no portion of these payments are applied as direct or indirect compensation to our Financial Professionals.

There is an inherent conflict of interests between registered investment advisers and brokerage firms, due to their respective pricing models: A broker, to earn fees, would want to effect as many transactions as possible. An investment adviser would want to maintain the highest AUM while effecting the fewest trades. But, because the Adviser and BSC have a unity of ownership, the owner is agnostic as to the source of income, mitigating the inherent conflict of interest outlined above. As noted in Item 4 above, the conflict of interest caused by the fee structures affects dual representatives. Focus on the best interests of the clients and analysis of their accounts as outlined above, mitigates the conflict of interest at the representative level and means that it is also addressed at the company level.

The Adviser does not receive compensation from other advisers.

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

Brighton Securities and its associated persons have a fiduciary responsibility to place the interest of the client ahead of their own. Firm representatives are subject to a code of ethics designed to ensure that business activities are conducted with the highest possible standards of ethics and to comply with all applicable laws, rules, and regulations that govern Brighton Securities' businesses.

Brighton Securities maintains policies and procedures designed to mitigate conflicts of interest between transactions in employees' personal investment accounts, including accounts of their immediate family members, and transactions in client accounts. Brighton Securities and its employees may at times buy or sell securities that are also held by clients. Employees are generally prohibited from trading securities for their own accounts ahead of client trades. The Chief Compliance Officer reviews all employee trades. Generally, employee trades are not of significant enough size and value to affect the availability and price of securities in the market.

Clients may, in their sole discretion, elect to implement all or part of a financial plan through Brighton Securities. Unless otherwise agreed upon in writing, transactions will be executed through Brighton Securities in its capacity as a broker-dealer and not an investment advisor. As a broker-dealer, Brighton Securities will execute transactions as agent or principal and may charge the client commissions, mark-ups, transaction fees, and/or other charges. These charges are in addition to the financial planning fee. The financial advisor who presents the client's financial plan is a registered representative of Brighton Securities and, as such, will receive a portion of the compensation paid to the firm in connection with the execution of transactions.

Key elements of Brighton Securities' Code of Ethics include undertakings to:

- Provide accurate and complete information in dealings with clients and others, including disclosure of conflicts of interest when they exist.
- Prepare and maintain accurate business records.
- Refrain from improper disclosure or misuse of confidential client information and material, non-public information and to protect the private, personal, and proprietary information of clients and others.
- Avoid conflicts of interest in personal and business activities.
- Avoid taking inappropriate advantage of the firm's position and conduct personal securities transactions in full compliance with the Code of Ethics.

The full text of the Code of Ethics is available upon request to Brighton Securities' Chief Compliance Officer.

## **Item 12 Brokerage Practices**

Brighton has a relationship in place and therefore recommends that clients utilize the custodial services of Wells Fargo.

Factors which Brighton considers in recommending Wells Fargo, or any other broker-dealer to clients, include their respective financial strength, reputation, execution, pricing, research, and service. Wells Fargo enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Wells Fargo may be higher or lower than those charged by other Financial Institutions and depend on the account options selected by you.

We do not maintain custody of the assets we manage. We may, however, be deemed to have custody of your assets if you give us authority to withdraw assets from your account (See Item 15, Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or a bank.

We are independently owned and operated and are not affiliated with Wells Fargo, which will hold your assets in brokerage account(s) and buy and sell securities when we instruct them to. While we generally recommend

Wells Fargo as custodians/brokers, you will decide whether to do so and will open your account with Wells Fargo by entering into an account agreement directly with them. Subject to limited exceptions where we may use another custodian, if you do not wish to place your assets with Wells Fargo, then we cannot manage the account.

## **Selecting Brokerage Firms**

Managed account programs offered under agreement between Brighton Securities and WFA are only available through accounts opened with Brighton Securities. Accordingly, Brighton Securities, a registered broker-dealer and member of FINRA, recommends that clients establish an account with them. Custody and clearing services for accounts are provided by Wells Fargo Clearing.

**How we select custodians or brokers.** We seek to recommend custodians that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including:

- combination of transaction execution services and asset custody services, generally without a separate fee for custody
- capability to execute, clear, and settle trades (buy and sell securities for your account)
- capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.)
- breadth of available investment products (mutual funds, exchange-traded funds (ETF's), stocks, bonds, etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, interest rates, other fees, etc.), the willingness to negotiate the prices, and potential good standing credit/extension agreements
- reputation, financial strength, and stability
- prior service to our clients and to us
- availability of other products and services that benefit us, as discussed below.

As noted above, Brighton Securities Corp, the Advisor, has a formal relationship with Wells Fargo Clearing Services. Under the “Best Execution” rule our representatives must seek the best market for client to make trades for their clients’ portfolios. Brighton Securities enters all equity orders through the order entry system of our primary custodian and clearing firm, First Clearing, a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC, a registered broker dealer and non-bank affiliate of Wells Fargo & Company (“FC”). The securities that are traded for a client are traded in more than one marketplace. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, we rely on the Clearing Firm’s discretion in selecting the market in which to enter your orders. They route client orders for over-the counter and listed equity securities to exchange venues, as appropriate, with best execution being the highest priority. In making the determination to use Wells Fargo, our objective is not necessarily to obtain the lowest possible cost, but to obtain the best qualitative execution having considered the foregoing factors. It is possible that another custodian could provide more favorable execution of transactions or that another custodian may cost less.

While we rely on our clearing firm for trade execution and order routing, the Advisor ultimately has a fiduciary responsibility to ensure that WFA is fulfilling its best execution obligations.

Brighton Securities will aggregate trades where it has the opportunity to do so 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 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. Brighton Securities will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day.

In instances where the Advisor does not have discretion, or where several representatives would be making similar trades, the coordination to aggregate the trades, would undermine the representatives' ability to affect the trades in a timely manner. This may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. In these instances, we believe that our clients are generally best served by our representatives' ability to effect trades timely rather than seeking to potentially obtain better or "fairer" pricing by aggregating trades.

The aggregation and allocation practices of mutual funds and any third-party managers that we recommend are disclosed in the respective mutual fund prospectuses and third-party manager disclosure documents which will be provided to the client, if applicable.

Brighton Securities does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

In addition, clients always have the option to purchase recommended products through other broker dealers.

## **Item 13 Review of Accounts**

### **Periodic Reviews**

Account reviews are conducted by a Brighton Securities financial advisor at the initiation of a client relationship. Thereafter, accounts are reviewed on at least an annual basis or more frequently at the request of a client. Reviews are tailored to include a focus on suitability of investments, appropriateness of goals, and recommendations to clients. Account profiles are updated by financial advisors based on pertinent information supplied by a client. Material changes in a client's situation or needs may call for an update prior to the scheduled annual review.

### **Regular Reports**

Brighton Securities provides regular reports (either electronic or in paper form) to clients regarding their accounts. Reporting typically includes monthly statements, quarterly reports, cash flow and transaction summaries, and year-end and tax reporting. These reports are provided to clients by Wells Fargo Clearing, the custodian of assets, and not by Brighton Securities.

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

### **Incoming Referrals**

Brighton Securities, as a matter of policy and practice, may compensate persons, i.e., individuals or entities, for the referral of advisory Clients to the firm provided appropriate disclosures and regulatory requirements are met. If a client is introduced to Brighton Securities by either an unaffiliated or an affiliated solicitor, Brighton Securities may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Brighton Securities investment management fee. If the client is introduced to Brighton Securities by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Brighton Securities written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement. The compensation will be based upon a percentage of



AUM until the account is closed. Any such fee shall not result in any additional charge to the client.

### **Referrals to Other Professionals**

Brighton Securities does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to the firm.

## **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.

Some Registered persons of Brighton are deemed to have custody of client funds as they act in the capacity of Trustee, Power of Attorney etc. for a client(s) account(s).

## **Item 16 Investment Discretion**

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 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.

### **Discretionary Authority for Trading**

Regardless of whether discretion is exercised by a financial advisor in a client account, discretionary account programs (i.e., Masters, Diversified Managed Allocations, Wells Fargo Compass, Customized Portfolios, FundSource, Allocation Advisors and Private Investment Management, require an executed client contract which includes a limited power of attorney providing limited transaction authority to Brighton Securities and its financial advisors. The limited power of attorney is included in the qualified custodian's account paperwork.

Non-discretionary account offerings (i.e., Asset Advisor, Private Advisor Network, and CustomChoice) are client directed programs in which a Brighton Securities financial advisor may provide a range of investment recommendations based on a client's investment objectives, financial circumstances, and risk tolerance. Clients have the option of accepting these recommendations or selecting different investments for their account(s).

Requests for the distribution of assets, under any program, to anyone but the registered account holder(s) must be received in writing and executed by the registered account holder(s).

## **Client-Imposed Restrictions**

Clients may seek to impose reasonable restrictions on the securities purchased in a discretionary program or the way a discretionary account is managed. Restrictions may be imposed in order to gain a tax advantage or some other personal objective. Any restrictions may adversely affect the risk-reward level of a portfolio. Clients who seek to impose restrictions with respect to certain assets in a managed account may cause a portion of the portfolio to be placed outside the manager's discretion, expertise, and judgment as to the wisdom of purchasing, holding, or selling particular securities. The decision by a client to retain certain assets may have an adverse impact on the amount of risk assumed by the client and may hinder the investment manager's ability to manage the portfolio properly according to the stated objectives of the client.

### **WRAP Programs:**

The advisor selected by the client always determines what securities are bought and sold or in what amounts. BSC will discuss with each client, at the beginning of each relationship and at regular intervals thereafter, the general strategies followed by the advisor selected. Each client will be given the opportunity to change strategies and/or managers or in the extreme, terminate the relationship.

In the absence of limits set in advance by the client, the actual securities to be bought or sold and the amount and frequency of trading is at the discretion of the advisor selected.

Managed account programs: the client grants the advisor the power and authority, as agent and attorney in fact, with respect to the account, when the advisor in its sole discretion, deems appropriate, and without prior consultation with client, to buy, sell, exchange, convert, and otherwise effect any transactions in the investments.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Brighton Securities does not have any financial impairment that would preclude it from meeting contractual commitments to clients. Brighton Securities does not require the prepayment of fees from clients six months or more in advance and, thus, under applicable regulation, the firm is not required to submit an audited balance sheet together with this brochure.