



BEACON INVESTMENT MANAGEMENT

DISCLOSURE DOCUMENT – FORM ADV PART 2A

Registered Investment Adviser's Name:

Beacon Investment Management, Inc.

IARD/CRD Number: 108103

SEC File Number: 801-55377

Main Office Mailing Address:

4001 Barrett Drive, Suite 103, Raleigh, NC 27609

Main Business Phone:

(919) 821-5225

Primary Website:

www.beaconinvest.com

This Brochure provides information about the qualifications and business practices of Beacon Investment Management, Inc. ("BEACON"). If you have any questions about the content of this Brochure, please contact Patty Hall of BEACON's Compliance Department at (919) 821-5225 or at phall@beaconinvest.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

BEACON is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications distributed by BEACON provide you with information to assist you in determining whether to hire BEACON as your Investment Advisor.

You can find additional information about BEACON by viewing our Form ADV Part I on the SEC's website, www.adviserinfo.sec.gov.

Dated: March 22, 2012

Item 2 – Material Changes

On March 19, 2012 Geoff Hall joined BEACON as a Wealth Advisor.

Geoff Hall is a Certified Financial Planner™.

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Company History

Beacon Investment Management, Inc. ("BEACON") is a North Carolina corporation headquartered in Raleigh, North Carolina. The company was founded in 1998, and is privately owned by its founder, Samuel Quincy Bass, Jr. BEACON's mission is to empower clients to live more abundant and purposeful lives.

BEACON began as an investment management firm with a primary goal of generating market-superior returns for its clients. But in 2006, in order to deliver greater value to its clients BEACON became a wealth advisor and adopted a patented system known as Wealthcare to deliver state-of-the-art planning and investment management to its clients. Wealthcare developed and continues to own, through a wholly-owned subsidiary, several groundbreaking US and International patents for its wealth management system. Wealthcare was the first company to provide US and Canadian professional financial advisers and financial institutions a web-based wealth management software product and also the first to do so with integrated simulated market return analysis.

The Wealthcare System is based on helping clients **avoid unnecessary investment risk, avoid needless or irrational sacrifice of their lifestyle** and constantly **measuring – in a meaningful way — the progress toward accomplishing the goals clients value**. These functions are carried out in the context of understanding the inherent uncertainty of financial markets, which neither we nor our clients can control, and by balancing a client's range of goal choices and priorities in order to provide the client **with a sufficient level of confidence**. We rationally minimize the controllable cost of investment portfolio expenses and income taxes by primarily utilizing tax efficient, broadly diversified indexed exchange-traded funds. Our Wealthcare plans are highly likely to change as client's life events, aspirations, and priorities among goals change and as uncertain financial markets change.

BEACON views the following to be some of the most critical and valuable aspects of the firm's value proposition to its clients:

- ongoing monitoring and reaffirmation (initially and on a consistent basis in the future) of the client's goal set
- ongoing reaffirmation of the ranges in value of each of the client's individual goals, from acceptable to ideal levels
- ongoing reaffirmation of the prioritization of goals amongst each other

The ongoing cycle of monitoring the Wealthcare plan's confidence level combined with the reaffirmation and identification of new goals and priorities is where Wealthcare can add the most value through continuous advice over a client's lifetime.

In all of our efforts to deliver Wealthcare to our clients we strive to remain objective and unbiased, continually seek to advance our methods, supporting tools, and research while attempting to establish ourselves as the standard by which our industry measures quality, honesty, and integrity.

Principals of the Firm

Samuel Q. Bass, Jr. is the founder and president of Beacon.

Patricia A. Hall is Corporate Secretary, Office Manager and Compliance Officer

We will discuss the backgrounds of both more fully in Part 2B of our ADV, the Brochure Supplement.

Types of Advisory Services Offered

Services

SERVICES FOR INDIVIDUALS/TRUSTS/ENDOWMENTS

BEACON offers investment advisory services to clients through an investment advisory agreement.

BEACON and its associates will perform any or all of the following advisory services on behalf of its clients:

- 1) Understanding the client's financial circumstances.

- 2) Discovering the client's goals to determine a range (Ideal and Acceptable) of:
 - i) Potential personal and related financial or event goals of all types
 - ii) Potential savings or other source of income levels
 - iii) Potential levels of target investment allocation risk
- 3) Prioritizing each of the client's potential financial and related personal goals in the context of other goals – not a goal ranking system. For example, would the client be willing to work longer in order to move closer to their ideal baseline retirement spending goals, or be willing to save more or take more investment risk, or some combination of two or more choices to improve the confidence of higher retirement spending? Alternatively, is living better today with less exposure to more volatile equity markets by planning on more modest retirement spending goals a better choice for other clients based on their preferences?
- 4) Obtaining such other relevant information believed to be necessary to make determinations or recommendations for the investment of the client's assets (e.g., pension information, social security estimates, rental income, etc.).
- 5) Analyzing investment portfolio allocation alternatives—in the context of prioritized financial goals—for those alternatives' likelihood of supporting those prioritized financial and other related goals (such as planned retirement date) in combination with other client sources of income.
- 6) Making a recommended goal package with an appropriate asset allocation ("Wealthcare Plan") in conjunction with any overall savings or other sources of income that strikes a balance between the degree of confidence of the plan and avoiding unnecessary investment risk while not needlessly compromising the client's lifestyle.
- 7) Implementing an action plan for adopting recommended investment alternatives.
- 8) Performing ongoing review and monitoring of the status of client's financial goals in terms of their relevance to the client's current ideal and acceptable ranges of goals and priorities and related funding confidence level.
- 9) Reporting on the client's investment results on assets advised by Wealthcare on a periodic basis.
- 10) Rebalancing recommended investment allocations based typically on daily monitoring of variances between actual portfolio asset class allocations based on market returns and the recommended target allocations while monitoring the degree of variance, tax consequences, transaction costs and input from the client or other advisers to the client.
- 11) In some cases, relying on another Registered Investment Adviser or Registered Investment Adviser Representative to perform one or more of the above services.

SERVICES FOR PLAN SPONSORS AND PLAN PARTICIPANTS

BEACON also offers through Wealthcare Capital Management, fiduciary advisory services to benefit plan sponsors and to the individuals who participate in those plans. All benefit plans that contract with Wealthcare for ERISA advisory services must be administered by an independent third-party plan administrator using independent third-party custodians of plan assets. Participants in such plans will have the option, but are not required, to utilize portfolios comprised of multiple asset class index funds designed and managed by Wealthcare for their benefit plan advisory relationships. Such advised plans typically experience a reduced cost, based on the plan's balances and other factors, than any prior incumbent advised or unadvised benefit plan. The Plan Sponsor determines whether advisory services fees for the Plan are to be paid by the Sponsor or to be passed on to the Plan Participant.

Any Plan Participant has the option to obtain from Wealthcare advice about their benefit plan investment options based on personal goals, including if requested, preparation of a personal Wealthcare Plan and the use of the Wealthcare 401k Portfolios as investment options at typically no additional cost to the Plan Sponsor or Plan Participant. Plan Participants may also elect to have additional assets outside their benefit plan considered in their personal Wealthcare Plan; however, the Plan Participant will have to enter into a separate investment advisory agreement with Wealthcare to obtain integrated discretionary asset management of other household financial assets by Wealthcare based on a Wealthcare plan. The advisory fee is negotiable for non-benefit plan assets. If a Plan Participant chooses to invest in a self-directed brokerage account, in benefit plans where that feature is available, Wealthcare disclaims any fiduciary obligation for those assets and does not charge an advisory fee on those assets to the Plan Sponsor or a Plan Participant.

Services offered to Plan Sponsors and through those Plans, to the Plan Participants include:

- 1) Development of an Investment Policy Statement for the Plan Trustees.

- 2) Discretionary selection of plan participant investment options (index mutual funds from unaffiliated providers) and design of efficient portfolios (Wealthcare 401(k) portfolios) across the risk/return spectrum comprised of some of the index mutual fund options recommended.
- 3) A phone-in service to answer participant's questions about plan investment options and related plan information including the offer to any participant to create a personalized Wealthcare plan and if approved by the participant to periodically track and report on the status of the plan and revise it as requested by the participant or to make new plan recommendations for the participant to consider. For some clients, in-person plan participant retirement investment planning educational meetings.
- 4) Design and delivery of a self-scoring risk tolerance and time horizon questionnaire for use by Plan Participants mapped to the WCM 401(k) portfolio selections for optional use by Plan Participants.
- 5) Periodic rebalancing when appropriate of any Wealthcare portfolios selected as investment options by plan participants.

Currently, Wealthcare works with Employee Fiduciary Corporation of Mobile, Alabama, as the preferred provider of third party administrative and related services to 401(k) plans and participants. Wealthcare is not financially affiliated with Employee Fiduciary Corporation although, in some limited circumstances, Employee Fiduciary Corporation may pay to Wealthcare referral fees for plans on which Wealthcare is not acting in any advisory or fiduciary capacity to avoid any conflict of interest. ***Wealthcare does not receive any fees from Employee Fiduciary on plans where Wealthcare is acting as a fiduciary and to date has received no fees of any type from Employee Fiduciary.***

FINANCIAL PLANNING

BEACON may offer financial planning services to clients that may not involve initial Wealthcare plan implementation or ongoing investment Wealthcare plan monitoring and advice. The fee for this arrangement will usually be a flat fee, a retainer, or an hourly rate. A financial plan may or may not include a net worth statement, a cash flow analysis, a review of existing investments and/or retirement assets, investment recommendations, strategic tax planning, estate planning recommendations or education planning. A financial plan will typically include investment recommendations or at a minimum consultative advisory services on client investment decisions. Implementation of the recommendations is at the client's discretion and their responsibility unless they decide to engage BEACON for full discretionary investment management and ongoing financial advice.

Customization of Client Accounts

The entire premise of the Wealthcare System is defining the individual goals and requirements of each client. Client investment account(s) can be customized as our clients require. Clients may impose investment restrictions on their accounts by providing BEACON with written instructions. Although BEACON has trading discretion over a client's account, every client has the right to direct his or her own account.

Wrap Fee Programs

BEACON does not participate directly or indirectly in any wrap fee programs.

Assets Under Management

As of February 29, 2012, BEACON managed approximately \$37 million in client assets on a discretionary basis.

Fees and Compensation

BEACON provides independent, fee-only investment management services to individuals, families, benefit plans and institutions. We receive no commission or other compensation from marketable securities or other financial products and services that we recommend to our clients. We receive only one fee based upon a client's total household advised assets.

The specific manner in which fees are charged by BEACON is established in a client's written agreement with BEACON.

Fees are typically billed quarterly in advance and are usually debited by the custodian (Charles Schwab) from a client's custodial account and remitted by the custodian to BEACON. Fees are prorated for any significant (greater than \$10,000) capital contribution made into a managed account following the initial establishment of a managed account during the applicable calendar quarter. In the event of termination of any account, any prepaid, unearned fees associated with that account will be refunded.

Currently BEACON charges fees that normally range from 0.25% to 1.25% per annum for advisory relationships with natural persons or non-benefit plan institutional relationships and approximately .20% to .30% for advisory relationships with Wealthcare Retirement plans. In most circumstances, the actual fee charged will depend on the total household assets with typical breakpoints at various household asset levels, although some clients are billed a flat percentage or dollar fee regardless of household asset level. In most cases, as the household or asset level increases, the flat or graduated fee as applicable is reduced as a percentage of assets. BEACON offers discounted rates to its employees and their families as well as to institutional and very high net worth clients with substantial account balances at fee levels that may be lower than the ranges indicated above.

All Advisory Fees are exclusive of brokerage commissions, transactions fees and other related costs and expenses which shall typically be incurred by the client as charged by the custodian. Mutual funds, exchanged traded funds and annuities all charge internal management fees and other expenses, which are disclosed in a fund's or annuities prospectus or equivalent disclosure document and are directly deducted from the value of such investment vehicles. Such charges, fees and commissions are exclusive of and in addition to BEACON's fee. BEACON and/or its Advisers do not receive any portion of these commissions, fees and costs and do not have any affiliation with the sponsors or providers of these investment vehicles.

Item 12 of this Brochure further discusses BEACON's selection process for the brokerage firms it recommends.

Item 6 – Performance-Based Fees and Side-by-Side Management

BEACON does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

Item 7 – Types of Clients

BEACON provides portfolio management services to individuals, high net worth individuals, trusts, estates, pension and profit-sharing and defined-contribution retirement plans, business entities, charitable institutions, endowments and foundations.

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

Investment Strategies

The investment philosophy of BEACON is based on the fundamental premise that the capital markets are continuously uncertain, and that our job as managers of wealth is to manage those things which we, or our clients, can control over a client's lifetime, or other relevant time period (for institutions). In accepting the notion that the capital markets are always uncertain, one of our primary tasks is to control the amount of capital market uncertainty that is prudent to accept for each client's financial circumstance, and the effect of that uncertainty on the funding status of each client's unique financial needs and goals. Numerous studies, historical data and common sense, tell us that the primary driver of uncertainty is the amount of a portfolio that is allocated to riskier assets, like equities. This key decision—how much of a portfolio is prudent to allocate to the risk of the equity markets—should not be taken lightly and should be based on the premise that needless risk should be avoided.

Sam Bass, President of BEACON is responsible for the selection of securities and design of portfolios on behalf of its client's accounts. In addition to his own oversight, he relies on Wealthcare Capital management for additional analysis and oversight of the indexed exchange traded funds – such as liquidity, fund expenses, tracking error against the target asset

class index and other factors. On a day-to-day basis, specific client portfolio trading decisions may be delegated to Patricia Hall who oversees the firm's Portfolio Operations area. Portfolio Operations takes action on client accounts based on general account guidelines for rebalancing or other client request (e.g., the need for cash by a client or the infusion of new client household assets from a client) or whenever a revision to a client's target Wealthcare portfolio is required based on a new Wealthcare plan recommendation that was made to a client.

BEACON's decisions regarding securities selection are primarily driven by the belief that the higher underperformance risk of active fund managers compared to broadly diversified indexed funds, combined with certainty of the higher expenses and taxes normally generated by actively managed funds adds additional risk and cost which should be avoided. In addition, any selection of active managers based on any prior period of superior returns over an asset class benchmark is an act of futility since prior performance is no indication of future results. As such, the majority of client's investments are in exchange traded funds (ETFs) that are benchmarked to:

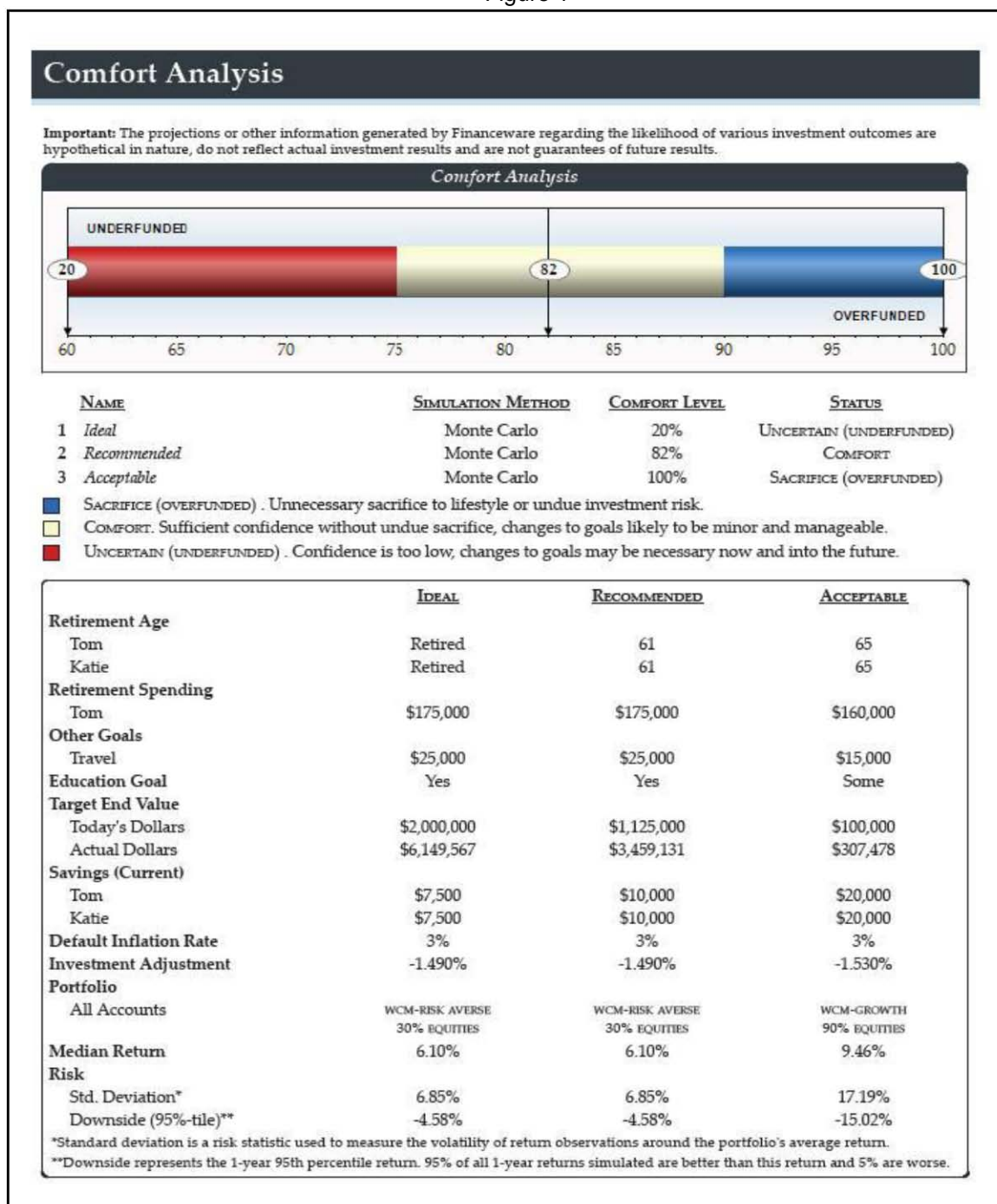
- A broad-based domestic equity index
- A broad-based foreign equity index
- A 7-10 year maturity intermediate US government securities index
- US Treasury T-Bills or Municipal Weekly Variable Rate Obligations
- Money market fund(s).

The typically recommended client target portfolio only requires three exchange-traded funds for a low cost, well diversified efficient portfolio. Those three exchange-traded funds in turn own approximately 3,000 to 5,500 underlying equity securities and 15 – 20 U.S. government treasury securities. For benefit plan advisory services, indexed mutual funds are used in lieu of exchange-traded funds. On a less frequent basis, we may offer advice on mutual funds, securities traded over-the-counter, corporate debt securities, variable annuities, municipal securities and individual foreign and domestic equities. We do not make investment decisions based upon marketing timing and discourage clients from investments in alternative investments, often less-liquid investment structures. The selection of securities recommended by BEACON includes the evaluation of the historical tracking error relative to the applicable benchmark index, the nature of underlying assets and liquidity of the fund, and how efficiently the fund trades in the market (bid/ask spreads) and how underlying securities are weighted in an index mutual fund or ETF. Funds are also

The Wealthcare System involves the utilization of proprietary wealth management analysis and presentation tools based upon several patented processes, and include the use of simulation analysis of uncertain capital markets to help clients evaluate the funded status in measurable confidence terms of their Wealthcare plan. A client's Comfort Zone status is reflected by the percentage of 1,000 simulations run against an investor's ideal, acceptable and recommended set of client goals. An example summary presentation of a Wealthcare plan analysis is shown here.

THIS ILLUSTRATION IS A SAMPLE PAGE FROM A Wealthcare PLAN ANALYSIS.

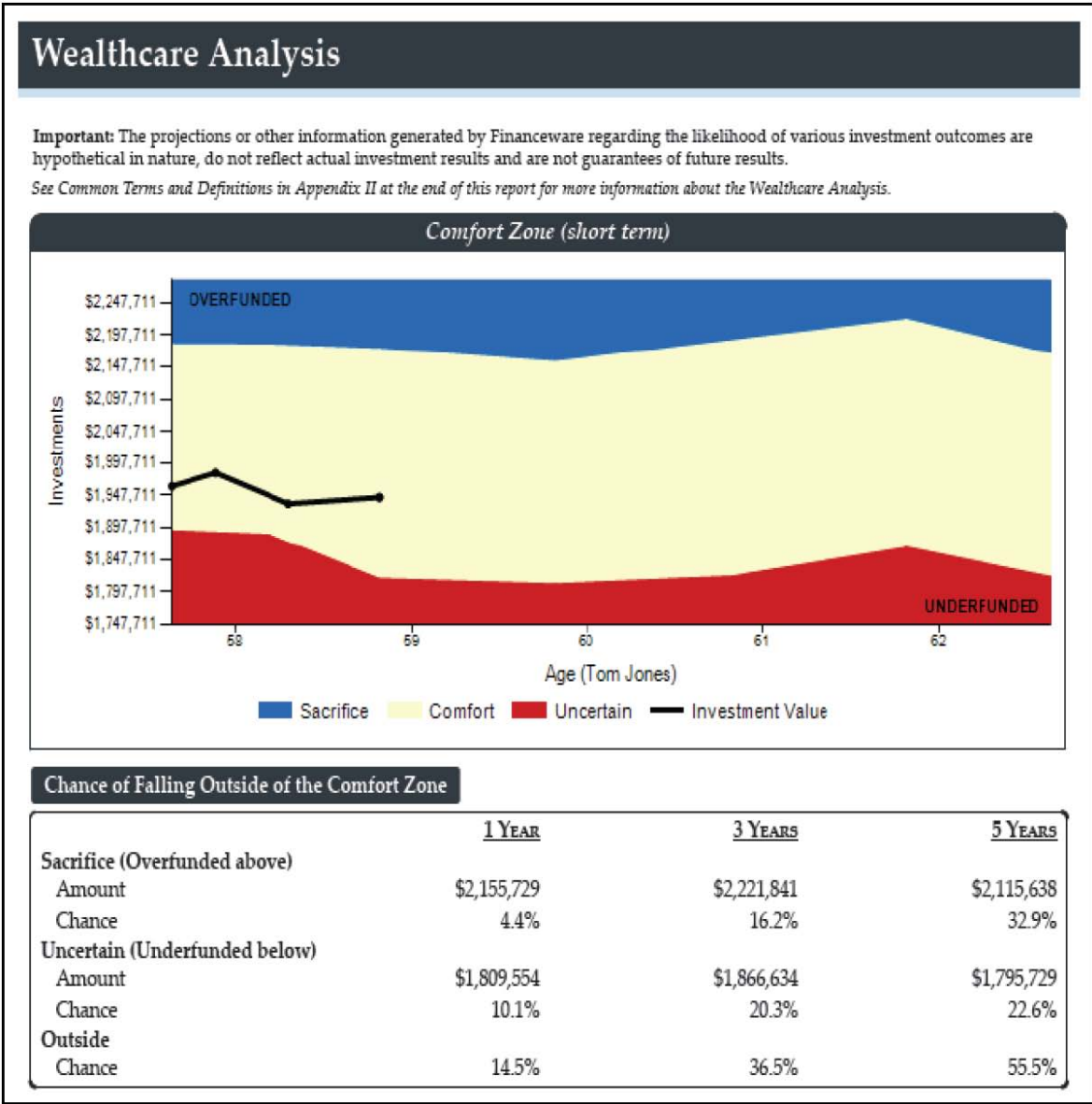
Figure 1



The Wealthcare Analysis is not a projection of future portfolio values because future values are uncertain. But as reflected in Figure 2 below, the amount of financial assets a client needs to hold - to statistically at any point in time for adequate confidence in funding a future given set of financial and personal goals defined - can be measured and shown to a client

THIS ILLUSTRATION IS A SAMPLE PAGE FROM A Wealthcare PLAN ANALYSIS.

Figure 2



The upper range (in blue) represents Sacrifice - where 90% or more of simulated market results for the client's current target portfolio, combined with client savings and spending goals over the same period, indicate the likelihood all goals will be met or exceeded. BEACON believes, when confidence rises above 90%, a Wealthcare plan is overfunded.

The lower range (in red) represents Uncertainty - where less than 75% of the simulated market results for the client's current target portfolio combined with client savings and spending goals over the same period, indicates the likelihood of all goals not being met. BEACON believes, when confidence falls below 75%, a Wealthcare plan is underfunded.

The unpredictability of future investment returns for your recommended allocation determines the range of portfolio values a client needs at a given age between over- and under-funded status. This range is what we call the Comfort Zone.

BEACON's ongoing advice is used to help steer changes in portfolio risk and a specific client goal package to stay within the Comfort Zone throughout their lifetime. **However, BEACON cannot and does not guarantee to any client that all possible goals at all aspirational spending levels can be achieved.** In fact, as Figure 2 shows, we indicate to clients the odds are typically non-trivial that only based on market uncertainty, much less changing client life events, goals, and

priorities amongst goals, within the next 1, 3 and 5 years of falling out of the Comfort Zone based on their current Wealthcare plan recommendation.

BEACON provides the following three methods of analysis when formulating and monitoring a client's funded status:

Monte Carlo Simulation – This simulation method tests an investor's financial strategies against 1,000 random scenarios of investment returns an investor might encounter during their lifetime based on the Wealthcare's capital market assumption for each target portfolio. This is the most commonly used method of analysis for most clients.

Historical Audit – This simulation method tests an investor's financial strategies against sequential historical returns using rolling historical monthly return periods since 1926, the number of which may vary based on the number of years in a plan.

WEALTHSIMULATOR® - This simulation method tests an investor's financial strategies against 1,000 actual historical monthly returns since 1926 that have been placed in random order (U.S. patent 7,562,040).

Random mortality analysis can be used with capital markets simulation analysis by Wealthcare under a U.S. patent under exclusive license to Wealthcare (U.S. patent 6,947,904), but fixed mortality set at client age that has only about a 20% odds of being exceeded is more typically used in a Wealthcare plan.

Investment Risk

Risk is the measurement of the degree of unpredictability of a given portfolio's return in any given period. Risk includes the **possibility of losing some or all of your original investment. For its clients, BEACON calculates 95th percentile downside risk.** This means that for any given 12 month period, only 1 out of 20 periods would have a negative return in excess of the calculated 95th percentile downside risk statistic using 1,000 simulations. Even the most conservative investment strategy is subject to risk. Market risk, also known as systematic risk, is the risk inherent to the entire market or an entire market segment. For example, interest rates, recession, natural disasters and wars all represent sources of nonsystematic market risk that cannot be avoided through market diversification.

Due to investments in foreign stocks, clients may be subject to additional risks such as foreign currency fluctuations, differing financial accounting standards, possible political and economic instability in some markets and higher portfolio holding expenses compared to domestic equities. For these reasons BEACON's recommended portfolios underweight the portion recommended to be invested in an indexed non-U.S. foreign equities held in exchanged-traded or mutual fund relative to its Global market capitalization. Mid and Small cap investing generally involves greater risk and volatility. In a rising interest rate environment, the value of fixed-income securities typically declines.

BEACON cannot guarantee a client will—in all circumstances of changing personal financial goals and market conditions—be able to remain in a client's Wealthcare plan's "Comfort Zone", as that term is illustrated and described in this disclosure document.

All investment programs carry the risk of loss and there is no guarantee that any investment strategy will meet its objectives.

Item 9 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Wealthcare or the integrity of Wealthcare's management. BEACON has no disciplinary events associated with BEACON's clients.

Item 10 – Other Financial Industry Activities and Affiliations

Other Registrations

BEACON and its employees are not registered, nor have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer. Additionally, BEACON and its employees are not registered, nor have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, insurance agent or as an associated person of any entity engaged in the foregoing fields.

Affiliations

BEACON has contractual relationships with Wealthcare Capital Management of several kinds. Wealthcare serves as sub-advisor to BEACON for several clients who have special requirements that are uniquely better served by them. BEACON acts as sub-advisor to Wealthcare on several 401K plans. And finally, Wealthcare provides the planning software used by BEACON at \$90.00 per client per year.

Outside Investment Advisors

BEACON may from time to time compensate, either directly or indirectly, any person for client referrals but has not created a formal referral compensation structure where no ongoing services are provided by the referring source. Any fee paid to a solicitor or a sub-adviser does not change the overall advisory fee charged by Wealthcare. Additionally, all solicitor fees or relationships with third-party RIAs are separately disclosed under a solicitor's disclosure statement or within the client's BEACON advisory contract which the client acknowledges in writing.

Solicitors may be, though are not necessarily, Registered Investment Adviser Representatives (RIARs) of BEACON. However, unless the RIAR is an employee of BEACON, as opposed to an independent agent or advisory firm acting as a solicitor of BEACON, such independent RIAR or Registered Investment Adviser does not render advice on behalf of BEACON to any client or prospect and such RIAR merely facilitates communication between BEACON and such client or prospect.

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

The employees of BEACON have committed to a Code of Ethics that establishes a high standard of integrity and professional ethics in conducting business with the firm, its clients and its business vendors and partners. All BEACON associates are required to review and sign a formal Code of Ethics adopted to comply with Rule 204(A)-1.

BEACON's Code of Ethics provides for 1) a high ethical standard of conduct; 2) compliance with all federal securities laws; and (3) policies and procedures for the reporting of certain personal securities transactions on a quarterly basis as well as upon hire and annually for all BEACON's professionals and employees. The Compliance Officer of BEACON reviews on a test basis employee trades periodically. The Compliance Officer's trades are reviewed by the President of BEACON or his designee officer of the firm. These reviews help ensure that the personal trading of employees complies with BEACON's Code of Ethics. Due to the nature of BEACON's recommended portfolios, we believe it would be very unusual for employees' personal trades in individual securities to present any ethical conflicts with any ETF portfolio recommendations or trades made on behalf of client assets.

BEACON does not recommend to clients securities in which BEACON or its related persons have a material financial interest. The primary securities invested in by BEACON on behalf of its clients are passive ETFs and indexed mutual funds (401K models), although portfolio management and advice on prior client positions which may have to stay in a client's portfolio for some time for tax or other personal client reasons is sometimes required. BEACON does not typically recommend the purchase of publicly-traded or privately-placed individual stocks, bonds, master limited partnerships, hedge funds or limited liability companies to its clients.

A copy of BEACON's Code of Ethics is available to BEACON's advisory clients upon written request to the Compliance Officer at BEACON's principal office address or by email request to phall@beaconinvest.com.

Item 12 – Brokerage Practices

Broker Selection

BEACON's sole custodian is Charles Schwab & Co. ("SCHWAB"). Appreciated are their discounted ETF trade commissions, automation and special services for Registered Investment Advisers. BEACON is not affiliated SCHWAB. It should be noted that most benefit plan clients utilize a custodian recommended by our preferred third party administrator, Employee Fiduciary Corporation, mentioned previously in Item 4.

The primary factors that determine BEACON's recommending a broker-dealer custodian to a client are in no specific order:

- 1) Commission Cost
- 2) Automation/Technology
- 3) Services for independent RIAs
- 4) Properly registered with SRO
- 5) Execution capabilities

Soft Dollar Arrangements

BEACON does not have any formal or informal arrangements or commitments to obtain any research or research related products or services on a soft-dollar basis.

Brokerage for Client Referrals

Generally speaking, BEACON does not receive client referrals from broker-dealers. However, should we receive such a referral, BEACON would not necessarily recommend that a client leave or remain with the referring broker.

Directed Brokerage

As of February 29, 2012, no clients of BEACON have instructed the firm to direct transactions in their account to a specific brokerage firm.

If a client directs BEACON to trade the account's transactions at a particular broker with whom BEACON does not have a business relationship, this may result in greater transaction expenses for the account than for other accounts BEACON manages. The directed accounts may pay higher commissions and/or receive less favorable trade execution than the non-directed accounts. The non-directed accounts may benefit from any negotiated commissions and some operational client account support services BEACON has arranged for its clients through its preferred custodial relationship with SCHWAB. SCHWAB may discount or waive fees for clients of BEACON that it would otherwise charge to retail clients for the same services.

All clients should understand that any broker-dealer/custodian recommendations made by BEACON are a conflict of interest as BEACON anticipates continual operational relationships with the broker-dealers/custodian (SCHWAB) that we recommend. BEACON does limited due diligence reviews of these firms, all of which are well established nationally recognized broker dealer custodians; BEACON only recommends SCHWAB a convenience to our clients.

Aggregation of Orders

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to provide, when feasible based on similar time frames of information required to make a trade decision, the same execution price for clients at the same custodian and executing broker. Our firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be charged separately based upon each custodian's commission schedule.

In the event transactions for BEACON, its employees or principals are aggregated with client transactions and conflicts arise, BEACON will always defer to the benefit of the client in the transaction.

Item 13 – Review of Accounts

Reconciliation of Client Accounts

All active BEACON client accounts are reconciled daily to custodial (SCHWAB) records. Whenever valuation information differs between the custodian's records and our accounting system's records, the differences are investigated and resolved. Once reconciled, electronic copies of the client's SCHWAB statement are maintained along with a copy of a reconciled holdings statement from BEACON's accounting system. In the event there are any differences (i.e. trade settlement, etc.) an explanation is also documented and retained.

Financial Plan Review

Each client's Investment Adviser will initiate a review and update the Client's financial plan on at least an annual basis for changes in the Client's financial situation and plan objectives. Additional reviews may be initiated for several reasons including

- 1) due to changes in a client's priorities,
- 2) upon demand by the Client,
- 3) whenever the Adviser considers a plan update and review is in the Client's best interest,
- 4) should there be a material change in circumstances for the Client or
- 5) should the Client's Plan fall materially outside its Comfort Zone.

Regular Reports

BEACON clients receive daily, monthly and quarterly reports or on demand from BEACON either directly on our website, by mail, or as needed for client meetings that occur at least once a year. These reports show portfolio holdings, performance, values, and the funded "Comfort Zone" status of the Wealthcare plan goal objective, which is a mathematical estimate of a client's Wealthcare plan's over or under funded status. Each contains an offer to the client to request and receive BEACON's most current Form ADV Part 2A and privacy policy. Form ADV Part 2A is also available by hyperlink from the BEACON website.

Item 14 – Client Referrals and Other Compensation

BEACON and its employees do not receive any sales awards or prizes as compensation from third party advisers. The receipt of such gifts would be a violation of BEACON's Code of Ethics.

As a matter of policy and practice, BEACON does not compensate any third-party persons, either individuals or entities, for the referral of advisory clients to the firm unless a formal solicitor's agreement has been entered into with a registered investment adviser representative ("RIAR") or with such person's supervising firm which is a registered investment adviser ("RIA"). BEACON does not increase its advisory fees in order to compensate a Solicitor. The Solicitor receives a portion of the advisory fee collected.

When such an agreement is entered into, it specifies the percentage of the client fees that are to be paid as solicitor's fees and requires the solicitor to provide written disclosure of his arrangement with BEACON, including his or her method of compensation, to the client via a signed disclosure statement. The client's countersignature is required on the disclosure statement prior to BEACON executing any trades.

Item 15 – Custody

Clients should receive statements from SCHWAB, the custodian that holds and maintains client investment assets, monthly in most cases, but at least quarterly. The reports will include a list of all securities held in the portfolio, their market value as of the last day of the previous month and all trade activity for the preceding month/quarter and reflect BEACON's advisory fee charges to the custodial account when applicable. Method of delivery is determined by the individual client when they complete the custodial account application. BEACON urges clients to carefully review such statements and compare such official custodial records to the Wealthcare Plan Status Report that we may provide to you.

Item 16 – Investment Discretion

Wealthcare receives discretionary authority from most of its clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold within the client's accounts. This is documented normally via a client's execution of Beacon Investment Management Agreement with BEACON which grants BEACON a limited power of attorney. Additionally, the custodian will require the client to execute a limited power of attorney ("LPOA") when opening the custodial account. The LPOA will grant BEACON the authority

- 1) to trade securities on the client's behalf in the account,
- 2) to authorize the disbursement of BEACON's quarterly investment advisory fee and
- 3) to authorize BEACON to instruct the custodian to disburse a check from the client's custodial account to their address of record or, with additional paperwork signed by the client, to a bank account registered in the client's name.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and/or the Wealthcare Plan for each client's accounts.

Item 17 – Voting Client Securities

Since the recommended portfolios of BEACON represent broad indices of securities (ETFs) as the primary client holding, generally speaking BEACON only votes on matters regarding the fee structure of those securities as it is the one issue Wealthcare is focused on actively monitoring. Otherwise, all non-material issues are viewed as very unlikely to impact the pricing or returns from holding such ETFs.

A complete copy of BEACON's proxy voting Policy can be obtained by sending a request to BEACON's Compliance Officer via email phal@beaconinvest.com or by telephone at (919) 821-5225.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about their financial condition. BEACON has no financial commitment or condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

A balance sheet is not required to be provided because BEACON does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$1,200 per client six months or more in advance.

Item 19 – Requirements for State Registered Advisers

As BEACON is a federally-registered investment adviser, this item is not applicable. As a 'mid-sized' advisor, Beacon is in the process of switching to North Carolina State registration.

Privacy Policy

(Effective January 1, 2012)

BEACON Investment Management, Inc. has adopted policies and procedures to protect our client's non-public personal information.

As your investment adviser, or service provider to your investment adviser, BEACON collects non-public personal information about you from unaffiliated third-party investment custodial applications and other forms submitted to us by you or submitted to us by your financial consultant, custodian or other authorized representatives (such as your accountant or attorney) and through the normal course of business as your investment adviser or as a service provider to your investment adviser.

The types of non-public personal information BEACON collects and shares will depend on the product or services you receive from us. BEACON regards non-public personal information to be data such as your name, address, telephone/fax numbers, e-mail addresses, Social Security number, date of birth, assets, income, investment objectives, risk tolerance, account numbers, account balances, transaction history, beneficiary information, bank account information and credit card information.

BEACON will not disclose non-public personal information about you to anyone, except:

- For our everyday business purposes - such as to process your transactions or maintain and monitor your account(s)
- To non-affiliated third parties who assist us in administering your investment account(s) - such as your brokerage, mutual fund or other investment custodian(s)
- In connection with a government or self-regulatory organization request or investigation
- For our marketing purposes – to offer *our* services to *you*

BEACON restricts access to your personal and account information to those employees who need to know that information to provide services to you, your financial consultant or other authorized representative. Employees and third party vendors/contractors governed by confidentiality agreements are prohibited from disclosing non-public personal information to any person or entity outside BEACON, during or subsequent to their employment or contractual engagement with BEACON.

Additionally, BEACON maintains physical, electronic and procedural safeguards that meet federal and/or state standards to guard your non-public personal information.

BEACON's privacy policy applies to current, future and past clients. If you decide to close your account(s) or become an inactive client, BEACON will adhere to the privacy policies and practices as described in this notice. If there is a material change in BEACON's privacy policy, you will be notified via written notice.

If you have any questions regarding this privacy policy, please do not hesitate to call your financial advisor or BEACON's Compliance Officer, Patty Hall at 919-821-5225, or send an email inquiry to phall@beaconinvest.com.