

# Beacon Rock Partners

Disclosure Brochure

## Part II of form ADV: Uniform Application

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May 17, 2012

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisors Act of 1940 is a very important document between Clients (you, your) and Beacon Rock Partners (us, we, our). This brochure provides information about our qualifications and business practices.

*If you have any questions about the contents of this brochure, please contact us at 503-827-8591, or [eric@beaconrockpartners.com](mailto:eric@beaconrockpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.*

Beacon Rock Partners is a registered investment adviser with the Securities and Exchange Commission (SEC). This registration does not imply any level of skill or training. The oral and written communications we provide to you, including this brochure, are the information you use to determine whether or not to hire or retain us.

Additional information about Beacon Rock Partners is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since the last ADV filing, there have been no material changes.

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## **Item 4 – Advisory Business**

Beacon Rock Partners provides both comprehensive financial planning and investment advisory (asset management) services. Founded in 2001, our principal owners are James R. McDonald, CPA, CFP®, Eric R. Lochner, CFP®, and Brian W. Hicks, CFA.

### **Financial Planning Services**

We provide comprehensive financial planning services on a fixed-bid basis. Each planning engagement is customized to the particular goals, concerns, and situation of the client. This is done using an interactive computer projection model that calculate and illustrate a range of financial planning scenarios. The planning process takes place over the course of a least three meetings and includes an in-depth assessment of most aspects of each client's current and projected finances in relation to their life planning goals.

At the conclusion of the engagement, the client receives a report that consists of printouts of the graphs and worksheet of their unique financial projection model. The model will be based on the set of facts and assumptions both the client and planner agree represent a realistic scenario at that point in time. Also included is a summary letter containing the planner's assessments of the client's current financial structure along with recommendations for improvement.

Due to the time and labor intensive nature of this type of comprehensive planning process, a retainer fee equal to one half of the quoted bid is due at time of engagement. However, any client has up to five days after such engagement to rescind the agreement in writing (including email notification) and they will be refunded the full amount of the retainer paid. The remainder of the fee due and payable after the analysis report is provided.

For clients wishing ongoing updates and reviews of their financial plans, the firm will provide these on an hourly basis at the current hourly billing rates. Because of the in-depth nature of the initial consultation and creation of the customized planning spreadsheet model, the fees for the ongoing plan reviews generally run substantially less than those for the initial engagement. The firm waives the fees for financial planning updates and reviews for those clients who engage our investment advisory services.

### **Investment Advisory Services**

Beacon Rock Partners provides investment advisory services, defined as continuous investment portfolio management and monitoring based on the client's objectives and risk tolerances. These individual objectives and risk tolerances are identified in each client's Investment Policy Statement. The fees for this service are based on the value of the assets under management as detailed in the schedule below. The custody of all funds and securities will be maintained by either Charles Schwab

& Co., Inc or another discount brokerage firm. At no time do we hold or have direct access to client funds and / or securities. As of May 17, 2012, Beacon Rock Partners managed approximately 99 millions of dollars in assets.

### **Specified Consultations**

Additionally, we offer analysis and advice on specified financial planning topics and investment portfolio management. Such engagements are limited in scope and charged at the hourly rates of the planner rendering the services, ranging from \$250 to \$300/hour. These consultations include but are not limited to:

- Personal cash and debt management.
- Risk management and insurance coverage assessments.
- Closely-held business succession issues.
- Financial education for retirement plan participants.
- Divorce settlement consultations.
- Financial and tax aspects of estate planning.
- Expert witness in investment litigation proceedings

## **Item 5 – Fees and Compensation**

### **Financial Planning Fees**

Fees generally range from \$2,000 to \$5,000 per engagement depending on the scope, number, and complexity of issues addressed.

### **Advisory Service Fees**

The annual management fees charged for this service will be as follows:

- First \$1,000,000 of investment account value 1% annually, billed quarterly in arrears at the rate of .25% of portfolio value on the last business day of each calendar quarter.\*
- Next \$1,000,000 of investment account value: .75% annually, billed quarterly at the rate of .1875% of portfolio value on the last business day of each calendar quarter.\*
- Portfolio values in excess of \$2,000,000: .5% annually, billed quarterly at the rate of .125% of portfolio value on the last business day of each calendar quarter.\*

*\*Account values will be aggregated for clients holding accounts with more than one registration.*

The firm waives the fees for ongoing financial planning updates and reviews for those clients who engage our investment advisory services.

### **Fee Payment for Advisory Services**

Direct debiting: At the end of each calendar quarter, we notify the custodian of your account, the amount of the fee due and payable to us through our fee schedule and contract. They will “deduct” the fee from your account(s) or, if you have more than one account from the account you have designated to pay our advisory fees.

Fees charged are exclusive of brokerage commissions, transactions fees, and other related costs and expenses. You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as transfers taxes, wire transfer fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees, and commissions are exclusive of and in addition to our fee. We do not receive any portion of these commissions, fees, and costs.

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

We do not charge any performance-based fees (fees based on a share of the capital gains or appreciation of your assets),

### **Item 7 – Types of Clients**

We provide portfolio management services to individuals, high net worth individuals, and profit-sharing plans.

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

#### **Analysis**

In the course of our analysis, we use financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. Other sources of information that may use include information from investment managers, financial service companies, database companies, financial journals, and the internet research.

We utilize a fundamental and valuation approach in security analysis. In basic terms, fundamental analysis involves looking at all financial aspects of a company to gain insight on their relative

strengths and weaknesses. Valuation involves evaluating the potential merits of an investment and to objectively assess the value of one security to another.

### **Investment Strategies**

We use a variety of closed-end funds and mutual funds. Mutual funds are either no-load or load-waived funds so our clients do not have to pay any commissions.

The equity investment strategy employs both fundamental and valuation analysis for buy and sell decisions. The strategy is diversified across stocks in various industries and market capitalizations.

The fixed-income strategy invests typically comprise bond ETFs and mutual funds, and other income-generating securities. Analysis focuses on valuation and risks related to income stability, interest-rates, and credit quality.

### **Risk of Loss**

All investments in securities include a risk of loss, including but not limited to the loss your principal (invested amount), a reduction in earnings (such as interest or dividends) and the loss of future earnings. These risks include interest rate risk, market risk, issuer risk and general economic risk. Stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. There is a risk of loss of the assets we manage that may be out of our control and consequently we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

### **Item 9 – Disciplinary Information**

We do not have any legal, financial or other “disciplinary” items report to you. We are obligated to disclose any disciplinary event that would be material to you.

This statement applies to our firm and every employee within it.

### **Item 10 – Code of Ethics**

We have a code of ethics which all employees are required to follow. The code of ethics outlines proper conduct related to all services provided to you. The code of ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, personal securities trading procedures, among other things. All employees must acknowledge the terms of the code of ethics at least annually, or as amended.

Prompt reporting of internal violations is mandatory. We regularly evaluate employee performance to ensure compliance with the code of ethics. A copy of the code of ethics is available to any client or prospective client upon request by contacting Eric Lochner at 503-827-8591 or [eric@beaconrockpartners.com](mailto:eric@beaconrockpartners.com).

## **Item 11 – Brokerage Practices**

We do not receive “soft dollar” benefits.

Unless you direct otherwise, we use our own discretion in selecting or recommending the broker-dealer that will hold your accounts. In recommending a broker-dealer, we take into account such relevant factors as price of trades and / or commissions, the broker-dealer’s facilities, reliability and financial responsibility. We also take into account the ability of the broker-dealer to effect transactions, particularly with regard to such aspects as timing, order size, and execution of order.

Recommending a broker-dealer can create a conflict of interest. Accordingly, we have established the following restrictions in order to assure its fiduciary responsibilities:

1. Neither advisors nor employees shall buy or sell securities for his or her personal portfolio if the decision to buy or sell is based on information that is not available to the investing public or by reasonable inquiry.
2. Each advisor maintains a list of all personal security holdings. These holdings are reviewed on a regular basis by our compliance officer.
3. You have an unrestricted right of to decline to implement any advice rendered, except in situations where you have given us discretionary authority.

## **Item 12 – Review of Accounts**

We review each client account on a quarterly basis. The level and frequency of such quarterly review varies by client. Triggering factors include significant changes in client personal circumstances, general economic conditions, and changes to the tax law.

A reviewer must be a CFP® certificant and / or a CFA charter holder. A description of each professional designation follows.

### **CFP® Designation**

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and

standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary including insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances.
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year).
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must also complete 30 hours of continuing education every two years in order to maintain the right to continue to use the CFP® marks.

### **The Chartered Financial Analyst (CFA)**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute – the largest global association of investment professional. To earn the CFA charter, candidates must: (1) pass three sequential, six-hour examinations; (2) have at least four years of qualified professional investment experience; (3) join CFA Institute as members; and (4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

- Place their clients’ interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters



Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

### **Item 13 – Client Referrals and Other Compensation**

We pay commission fees for client referrals solely to principal members of McDonald Jacobs as named in Item 10. For financial planning referrals, the principal will receive 8% of the total fee. For investment advisory services, the principal will receive an 8% portion of the fee collected quarterly. These commissions paid do not in any way increase fees charged to clients. We do not accept or receive any commissions for clients we refer to other professionals, including referrals from us to McDonald Jacobs.

### **Item 14 – Custody**

We do not custody client assets. All accounts are held in outside financial institutions and clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian. We urge you to carefully review such statements. For tax and other purposes, the custodial statement is the official record of client accounts and assets.

### **Item 15 – Investment Discretion**

We receive full discretionary authority from each client at the beginning of an advisory relationship to buy and sell securities, including the amount of the securities to be bought and sold, within the portfolios we manage for them. Discretionary authority is the authority to make decisions about your investments on your behalf without your specific consent. In all cases, however, we exercise this discretion in a manner consistent with the stated investment objectives for each particular client. The only restrictions on our discretionary authority are those set by the client on a case by case basis. We make it a practice to question clients to determine if there is any need for limitations on our discretionary authority over their accounts.

### **Item 16 – Voting Client Securities**

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on

behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. We may provide advice to clients regarding the clients/ voting of proxies if requested.

### **Item 17 – Financial Information**

Registered investment advisers are required to provide you with certain financial information such as a balance sheet if they require pre-payment of fees. We do not require pre-payment of fees. Additionally, we have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.

### **Item 18 – Requirements for State-Registered Advisers**

We are SEC registered, therefore have no state requirements.

## Part 2B of Form ADV:

### *Brochure Supplement*

#### Item 1 – Cover Page

This brochure supplement is provided on our Principal, Eric R. Lochner

Eric's contact information is:

Eric R. Lochner, CFP®  
Managing Partner  
Beacon Rock Partners  
520 SW Yamhill, Suite 1000  
Portland, OR 97204  
503-827-8591

[eric@beaconrockpartners.com](mailto:eric@beaconrockpartners.com)

May 17, 2012

*This brochure supplement provides information about Eric Lochner that supplements our Form ADV, Part 2 (brochure, attached).*

*Additional information about Eric Lochner is available on the SEC's website at  
[www.adviserinf.sec.gov](http://www.adviserinf.sec.gov)*

## **Item 2 – Educational Background and Business Experience**

**Eric R. Lochner, CFP®** is an advisor with a focus on personal financial planning and individualized asset management. His experience includes over ten years of personal financial planning, 3 years of strategic planning and marketing, 3 years of business and engineering consulting, and 8 years of product planning and design. He is a member of the Financial Planning Association and a Trustee for the Rotary Club of Portland.

## **Item 3 – Disciplinary Information**

None.

## **Item 4 – Other Business Activities**

None.

## **Item 5 – Additional Compensation**

None.

## **Item 6 – Supervision**

N/A

## Part 2B of Form ADV:

### *Brochure Supplement*

#### Item 1 – Cover Page

This brochure supplement is provided on our Principal, Brian W. Hicks

Brian's contact information is:

Brian W. Hicks, CFA  
Partner  
Beacon Rock Partners  
520 SW Yamhill, Suite 1000  
Portland, OR 97204  
503-827-8591

[brian@beaconrockpartners.com](mailto:brian@beaconrockpartners.com)

May 17, 2012

*This brochure supplement provides information about Brian Hicks that supplements our Form ADV, Part 2 (brochure, attached).*

*Additional information about Brian Hicks is available on the SEC's website at [www.adviserinf.sec.gov](http://www.adviserinf.sec.gov)*

## **Item 2 – Educational Background and Business Experience**

**Brian W. Hicks, CFA**, came to the financial services industry after serving for seven years as estate planning and tax counsel to individuals and families. As a fee-only financial advisor, Brian provides holistic wealth management advice to persons seeking guidance with financial planning, investment management, wealth transfer planning, philanthropic issues and risk management.

Brian earned a B.A. in history from the University of California, Berkeley, a J.D. from Boston College Law School, and has earned the right to use the Chartered Financial Analyst® designation.

## **Item 3 – Disciplinary Information**

None.

## **Item 4 – Other Business Activities**

None.

## **Item 5 – Additional Compensation**

None.

## **Item 6 – Supervision**

N/A

## Part 2B of Form ADV:

### *Brochure Supplement*

#### Item 1 – Cover Page

This brochure supplement is provided on our Principal, James R. McDonald

Jim's contact information is:

James R. McDonald, CPA, CFP®

Partner

Beacon Rock Partners

520 SW Yamhill, Suite 1000

Portland, OR 97204

503-827-8591

[jim@beaconrockpartners.com](mailto:jim@beaconrockpartners.com)

May 17, 2012

*This brochure supplement provides information about Jim McDonald that supplements our Form ADV, Part 2 (brochure, attached).*

*Additional information about Jim McDonald is available on the SEC's website at [www.adviserinf.sec.gov](http://www.adviserinf.sec.gov)*

## **Item 2 – Educational Background and Business Experience**

**James R. “Jim” McDonald, CPA, CFP®** has more than forty years experience, beginning his career with Moss Adams & Co. and Coopers & Lybrand. He formed his own accounting practice, now called McDonald Jacobs, in 1972. He is a member of the Financial Planning Association and the Oregon Society of Certified Public Accountants. Jim also served as director of 1000 Friends of Oregon, and is a former board member of the American Advertising Museum, Oregon Ballet Theatre, National Spinal Cord Injury Foundation, Young Musicians and Artists, and Sisters of the Road Café.

## **Item 3 – Disciplinary Information**

None.

## **Item 4 – Other Business Activities**

None.

## **Item 5 – Additional Compensation**

None.

## **Item 6 – Supervision**

N/A