

# Zero Commission Portfolios Wrap Fee Program Brochure

*This Wrap Fee Brochure provides information about the qualifications and business practices of Beacon Capital Management, Inc., d/b/a Zero Commission Portfolios. If you have any questions about the contents of this brochure, please contact us at (937) 439-9093 or by email at: [cook@beaconinvesting.com](mailto:cook@beaconinvesting.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Zero Commission Portfolios is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Zero Commission Portfolios' CRD number is: 120641*

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Registration does not imply a certain level of skill or training.

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**ITEM 2: MATERIAL CHANGES**

There are no material changes in this brochure from Zero Commission Portfolios' last annual update filing on January 18, 2012. Material changes relate to Zero Commission Portfolios' policies, practices or conflicts of interests only.



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#### Item 4: Services Fees and Compensation

Zero Commission Portfolios (hereinafter "ZCP") offers wrap fee program services to its Investment Management Services clients that will utilize TD Ameritrade as their custodian. ZCP participates in wrap fee programs; which is an investment program where the investor pays one stated fee that includes management fees and transaction costs from the custodian. ZCP does manage the investments in the wrap fee program. ZCP does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to ZCP as a management fee.

##### A. Description of Services

ZCP offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. ZCP creates a New Account Package for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Thus, ZCP offers an Investor Profile. Investment Supervisory Services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

ZCP evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. ZCP will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investor Profile, which is given to each client.

The services offered under ZCP will be traditional asset management, plus an offering for those clients that do not want the "full service" treatment. ZCP will offer a subscription service to clients seeking to model their personal investment portfolios after the models managed by ZCP. ZCP clients will receive a monthly newsletter that details what ZCP models look like and any changes that are being made as they happen and the client can make the changes in their personal accounts if they chose to do so. Subscribers are notified when a change in the models is implemented. Subscribers determine the extent they wish to follow those changes in their personal accounts.

ZCP is an associated service doing business under Beacon Capital Management, Inc. ZCP operates under the same CRD Number and more information can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

##### Zero Commission Portfolios Fees

The Zero Commission Portfolios maximum fee will be \$149.00 per month for the full package of services. ZCP will pay TD Ameritrade either six (6) basis points of market value of client account held, or \$9.99 per transaction. These fees are non-negotiable and the final fee schedule is attached in the Investment Advisory Contract. Fees are paid quarterly in arrears, and clients may terminate their contracts with thirty days' written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

##### Services Limited to Specific Types of Investments

ZCP limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, third party money managers, REITs, insurance products including annuities, and government securities. ZCP may use other securities as well to help diversify a portfolio when applicable.

##### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program including the cost of the services if provided separately and the trading activity in the client's account.

##### C. Additional Fees

Although the wrap fee program is one fee for all management and brokerage services, there may be additional fees not associated with the management of client's account. These fees may include trading fees, national securities exchange fees, wire transfer fees, or other fees required by law.

##### D. Compensation of Client Participation

Neither ZCP, nor any representatives of ZCP receive any additional compensation for the participation of client's in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and to other services. Therefore, ZCP may have a financial incentive to recommend the wrap fee program to clients.



## **Item 5: Account Requirements and Types of Clients**

ZCP generally provides its wrap fee program services to the following types of clients:

- i. Individuals
- ii. High-Net-Worth Individuals
- iii. Pension and Profit Sharing Plans
- iv. Corporations or Business Entities

### **Minimum Account Size**

There is an account minimum, \$25,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Selecting/Reviewing Portfolio Managers**

ZCP will not select any outside portfolio managers for management of this wrap fee program. James Christopher Cook and Brandon Bianchi will be the only portfolio managers for this wrap fee program.

#### **i. Standards Used to Calculate Portfolio Manager Performance**

ZCP will use industry standards to calculate portfolio manager performance.

#### **ii. Review of Performance Information**

ZCP reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is reviewed daily and is reviewed by ZCP.

### **B. Related Persons**

No related persons act as a portfolio manager for the wrap fee program as described in this brochure. As such, there are no conflicts of interest with related persons and ZCP will not select any related persons as portfolio managers for this wrap fee program.

### **C. Advisory Business**

ZCP offers investment supervisory services to its wrap fee program participants as detailed in Section 4 above. ZCP limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, third party money managers, REITs, insurance products including annuities, and government securities. ZCP may use other securities as well to help diversify a portfolio when applicable.

#### **i. Client Tailored Services and Client Imposed Restrictions**

ZCP offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent ZCP from properly servicing the client account, or if the restrictions would require ZCP to deviate from its standard suite of services, ZCP reserves the right to end the relationship.

#### **ii. Wrap Fee Programs**

ZCP participates in wrap fee programs. A wrap fee program is an investment program where the investor pays one stated fee that includes management fees and transaction costs. ZCP does manage the investments in the wrap fee program. ZCP does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to ZCP as a management fee.

#### **iii. Performance Based Fees**

ZCP does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

#### **iv. Methods of Analysis and Investment Strategies**

ZCP's methods of analysis include fundamental analysis and technical analysis.

- i. **Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.



ii. **Technical analysis** involves the analysis of past market data; primarily price and volume.

v. **Investment Strategies**

ZCP uses Long Term and Short Term Trading strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

**D. Material Risks Involved**

i. **Methods of Analysis**

- **Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.
- **Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

ii. **Investment Strategies**

- **Long Term Trading** is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.
- **Short Term Trading** generally holds greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

**E. Voting Client Proxies**

ZCP will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

**Item 7: Client Information Provided to Portfolio Managers**

James Christopher Cook and Brandon Bianchi are the only portfolio managers for this wrap fee program. All client information that is collected, including basic information, risk tolerance, sophistication level, and income level will be communicated to James Christopher Cook and/or Brandon Bianchi. As that information changes and is updated, they will have immediate access once collected.

**Item 8: Client Contact with Portfolio Managers**

ZCP places no restrictions on client ability to contact its portfolio managers. James Christopher Cook and Brandon Bianchi can be contacted during regular business hours and their contact information is on the cover page of this brochure.

**Item 9: Additional Information**

**A. Disciplinary Action and Other Financial Industry Activities**

i. **Criminal or Civil Actions**

There are no criminal or civil actions to report.

ii. **Administrative Proceedings**

There are no administrative proceedings to report.

iii. **Self-regulatory Organization (SR) Proceedings**

There are no self-regulatory organization proceedings to report.



**iv. Registration as a Broker/Dealer or Broker/Dealer Representative**

Martin Jaras is licensed as a registered representative of The Tavenner Company, Inc. ("TCI"), a NASD registered broker dealer. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. ZCP always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of ZCP in their capacity as registered representatives.

**v. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither ZCP nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

**vi. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Associated persons of ZCP are insurance agents or brokers for one or more insurance companies. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. ZCP always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of ZCP in their capacity as an insurance agent.

Martin Jaras, a ZCP portfolio manager, is the President of Jaras Financial Services, Inc. ("JFS"). JFS specializes in pension plan consulting and administration, as well as general business consulting. The consulting services provided by Mr. Jaras through JFS are provided for separate, yet customary compensation, and are entirely separate and distinct from the advisory services provided by ZCP. Furthermore, Mr. Jaras is a licensed, practicing certified public accountant and maintains a private accounting practice. Accounting and tax preparation services provided by Mr. Jaras are separate and distinct from the advisory services provided by ZCP, and are provided for separate and typical compensation. No ZCP client is obligated to use Mr. Jaras for any accounting and/or tax preparation services, and no accounting/tax client of Mr. Jaras is obligated to utilize the advisory services of ZCP.

Mr. Jaras is also the co-owner of a corporation d/b/a Handel Davies Sales Company ("HDSC"). HDSC is a wholesale distributor of specialty mats and cables in addition to pipe connectors used by electrical contractors.

**vii. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

ZCP does not utilize nor select other advisors or third party managers. All assets are managed by ZCP management.

**B. Code of Ethics, Client Referrals and Financial Information**

**i. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

**ii. Recommendations Involving Material Financial Interests**

ZCP does not recommend that clients buy or sell any security in which a related person to ZCP has a material financial interest.

**iii. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of ZCP may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of ZCP to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. ZCP will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

**iv. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of ZCP may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of ZCP to buy or sell securities before or after recommending



securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. ZCP will always transact client's transactions before its own when similar securities are being bought or sold.

**v. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least daily by James Christopher Cook and/or Brandon Bianchi. He is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels.

**vi. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

**vii. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report detailing the client's account which may come from the custodian.

**viii. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

ZCP does not receive any economic benefit, directly or indirectly from any third party for advice rendered to ZCP clients.

**ix. Compensation to Non – Advisory Personnel for Client Referrals**

ZCP enters into marketing arrangements with broker/dealers, registered investment advisers and independent financial professionals pursuant to which representatives of their firms ("Solicitors") offer our services to the public. These Solicitors refer us the majority of our clients. Through these arrangements, ZCP may pay a cash referral fee to the Solicitor and/or their firm based upon a percentage of our investment management fee. The amount of the referral fee may be up to 90% of the amount of the investment management fee received from you. In connection with these arrangements, ZCP will comply with Rule 206(4)-3 under the Advisers Act.

The referral fee is paid pursuant to a written agreement, which is retained by both your Financial Advisor, as the Solicitor, and ZCP. This information is disclosed to you prior to or at the time of entering into an investment management agreement with ZCP. Solicitors, on their own and not related in any way to their solicitors' agreements with ZCP and not on ZCP's recommendation, also sell insurance, annuities, mutual funds, stocks, bonds, and/or limited partnerships to clients. These solicitors may receive separate and typical commissions on the sale of these products. ZCP may pay a portion of the investment management fee to other affiliated or non-affiliated parties who assist with certain administrative tasks associated with the management of your account.

**x. Balance Sheet**

ZCP does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

**xi. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither ZCP nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

**xii. Bankruptcy Petitions in Previous Ten Years**

ZCP has not been the subject of a bankruptcy