

**Part 2A of Form ADV: Beard Investment Services, Inc.**

**Beard Investment Services, Inc.  
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This brochure (Part 2A of Form ADV) provides information about the qualification and business practices of Beard Investment Services, Inc. If you have any questions about the contents of this brochure, please contact us at (330) 758-0575, or by email at [office@beardpension.com](mailto:office@beardpension.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 Beard Investment Services, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Beard Investment Services, Inc. is a registered investment advisor. Registration of an investment advisor does not imply a certain level of skill or training.

**JANUARY 2, 2014**

## Material Changes

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### Annual Update

Beard Investment Services, Inc. is providing this information as part of our annual updating amendment that contains material changes from our last annual update. This section discusses only material changes since the last annual update, January 2, 2013.

### Material Changes since the Last Update

This Brochure is dated January 2, 2014. The information below summarizes changes made to our brochure since January 2, 2013.

<u>Updated language in this section:</u>
<u>Client Assets</u> We manage your accounts on non-discretionary basis. As of December, 31, 2013, we managed \$193,908,812 in client assets on a non-discretionary basis. Beard Investment Services, Inc. does not have any discretionary accounts.
<u>The information contained on the Form ADV Part 2A dated January 2, 2012 was as follows:</u>
<u>Client Assets</u> We manage your accounts on non-discretionary basis. As of December, 31, 2012, we managed \$166,538,436 in client assets on a non-discretionary basis. Beard Investment Services, Inc. does not have any discretionary accounts.

### Investment Strategies (Page 8-9)

The Firm added a new Program that will offer investment management services that will be customized for each investor/client and the accounts for this program will utilize Beard Financial Services as the broker dealer with the custodian of funds and securities for these accounts will be Pershing LLC. The investment strategy for this program is listed on Pages 8-9.

### Full Brochure Availability

The Firm Brochure for Beard Investment Services, Inc. is available by contacting Mark Smallwood at (330) 758-0575 or by e-mail at [mark@beardpension.com](mailto:mark@beardpension.com).

In 2014, all new clients are being provided a full copy of our brochure.

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## Advisory Business

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### Firm Description

Beard Investment Services, Inc. is an investment advisor registered with the SEC. We specialize in customized portfolio management for individual investors, high net worth individuals, pension and profit sharing plans and corporations.

### Principal Owners

As of January 2, 2013 Beard Investment Services, Inc. is owned by William Brian Berlin (25%), James Rafoth (25%), Robert Smallwood, Jr. (25%) and Bradley Walker (25%). These individuals are registered Investment Advisor Representatives of Beard Investment Services, Inc.

### Types of Advisory Services

We specialize in customized portfolio management for individual investors, high net worth individuals, pension and profit sharing plans and corporations.

### Tailored Relationships

We will work with our clients that have specific needs to tailor portfolios to meet their investment parameters, time horizon, risk tolerance, and return objectives.

### Wrap Fee Programs

Beard Investment Services, Inc. does not offer wrap fee programs.

### Client Assets

We manage your accounts on non-discretionary basis. As of December, 31, 2013, we managed \$193,908,812 in client assets on a non-discretionary basis. Beard Investment Services, Inc. does not have any discretionary accounts.

## Fees and Compensation

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### Description

Services Offered Through SEI Asset Management Program and Beard Investment Management Program

### Compensation and Fee Schedule

Our fee schedule is based on market value of the client's portfolio. For individual investment accounts and Balance Forward 401(k) Plans, the fee schedule is as follows:

<u>Amount Invested</u>	<u>Quarterly Rate</u>	<u>Annualized Rate</u>
First \$500,000	.2500%	1.00%
Next \$500,000	.1875%	0.75%
Next \$500,000	.1250%	0.50%
Excess of \$1,500,000	.0625%	0.25%

Fees are negotiated for portfolios in excess of \$2,000,000 or for clients where specialized investment services are needed.

Fees are based on a client's total relationship with us, e.g. all related accounts. For certain clients, we may reduce fees or establish a fixed rate fee schedule. Investment Fees are located in Exhibit B of the Client Investment Advisory Agreement.

#### 401(k) Investment Management Services for Daily Value Plans

Fees charged to the 401(k) Plan Trust or Trustee are as follows:

Assets	Annual Fee
Less than \$1,000,000 in assets	85 basis points annually (.85%)
More than \$1,000,000 in assets	65 basis points annually (.65%)
More than \$5,000,000 in assets	25 basis points annually (.25%)

Fees are charged in arrears based on account values at the end of each quarter charging one-fourth of the annualized basis points each quarter. Fees charged the Trust/Trustee are usually prorated and charged to the plan participants by the Trust. Should the Trust or Trustee(s) terminate these services during the quarter, the Trust/Trustee is charged a pro-rated fee for the quarter.

### Fee Billing

Fees are charged in arrears (at the end of the quarter) based on account values at the end of each quarter charging one-fourth of the annualized basis points each quarter. Fees charged the Trust/Trustee are usually prorated and charged to the plan participants by the Trust. Should the Trust or Trustee(s) terminate these services during the quarter, the Trust/Trustee is charged a pro-rated fee for the quarter.

### Other Fees

Our management fees are separate from charges assessed by third parties such as broker dealers, custodians and mutual fund companies. Brokerage and other transaction costs charged by broker dealers executing transactions and custodians maintaining your assets are in addition to the management fees and are not negotiable. Investment advisor clients that hold mutual funds in their portfolio(s) will also pay investment management fees and/or administrative fees. These fees are paid to the managers of the fund for their role in managing the fund(s) on a daily basis. Mutual funds, variable annuities and or other platforms may assess other fees and expenses such as 12B-1 fees or commissions in connection with the placement of your funds.

### Fees Paid in Advance and Termination of Advisory Services

We do not require any prepayment of fees.

Clients may terminate their advisory contract with Beard Investment Services, Inc. in writing at any time. We recommend you use a mail service where a signed receipt is required. Fees will be charged on a prorated basis upon termination. We may terminate relationships with clients, in writing, upon 30 days notice and our management fee will be charged on a prorated basis. Your death will not terminate the Investment Management Agreement or authority granted to Beard Investment Services, Inc. until we have received actual written notification of your death.

## Additional Compensation

Beard Pension Services, Inc. (an affiliate of Beard Investment Services, Inc.) receives fees related to these accounts in its capacity as a "Third Party Administrator or TPA" for providing services and consulting services to the 401(k) Plan and/or 401(k) Plan Sponsor. These fees commonly referred to as "TPA Fees" are paid by the 401(k) Plan sponsor company.

## Performance-Based Fees & Side-by-Side Management

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### Sharing of Capital Gains or Capital Appreciation

Beard Investment Services, Inc. does not accept performance based fees based on a share of the capital gains or appreciation of the assets of the client.

## Types of Clients

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### Description

We specialize in customized portfolio management for individual investors, high net worth individuals, pension and profit sharing plans and corporations.

### Account Minimums

Beard Investment Services, Inc. has no account minimums.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

We generally work with our clients to develop a proper allocation of diversification among various asset classes – stocks, bonds, alternative investments, and cash. Depending on the client's individual goals, objectives, and risk tolerance we may recommend an active or passive approach to manage their investments. Our portfolio construction process is designed to maximize the rate of return and minimize volatility by identifying the proper level of diversification between asset classes.

Depending on the client's objectives, we may employ various sub asset classes to any particular investment strategy. For instance, the U.S. equity market has four distinct sub-asset classes: large cap value, large cap growth, small cap value and small cap growth. We typically utilize all of these asset classes in a recommended investment strategy since no one can consistently predict where the next source of returns will come from in the U.S. equities asset class.

Market movements may cause a shift in portfolio allocation from their original design as different sectors of the market appreciate or depreciate over time. Also, our client's objectives may shift as their personal situations change. Typically, our firm will rebalance the investment mix to original allocation percentages which helps maintain a level exposure to risk.

### Investment Strategies

Asset Management Program - SEI

Beard Investment Services, Inc. undertakes to provide each client with objective setting and asset allocation services and assistance – through the SEI Asset Management Program. This program gives us the means to utilize the multi-manager, multi-style diversification techniques used by the large institutional pools of assets. These programs are designed as follows:

- 1) We determine the investor's risk profile and investment objectives by obtaining your investment objectives, investment time horizon and risk profile through an interview process and the completion of a questionnaire.
- 2) We set a relevant asset allocation policy for each investor. You choose one of many mutual fund asset allocation models. You may also purchase mutual funds and/or individual stocks without choosing one of the asset allocation models. If you so choose this option, automatic rebalancing to model allocation and recommended model allocation changes will not be available.
- 3) We diversify among asset classes and styles. The investment managers of the underlying mutual funds are selected by SEI Investments Management Corporation. SEI utilizes institutional investment management firms. The managers are monitored by SEI to ensure that their investment styles and performance remain consistent with the objectives of the mutual funds.
- 4) Rebalance your portfolio. Rebalancing maintains the proper allocation to each asset class in the model. Rebalancing occurs automatically if the underlying mutual funds deviate from the prescribed quarterly allocation by greater than a 2% variance. For tax managed models, the rebalancing variance is 3%. Rebalancing occurs quarterly with no transaction fees. You will determine if automatic rebalancing should occur.
- 5) Report results. SEI Private Trust Company (a subsidiary of SEI Investments Company) acts as the transfer agent and custodian for the investor's account. SEI Private Trust Company provides reporting services including consolidated monthly statements, quarterly performance and year-end tax reports.

#### Asset Management Program – Beard Investment Services

Beard Investment Services, Inc. undertakes to provide each client with objective setting and asset allocation services and assistance. Our program is designed as follows:

- 1) We determine the investor's risk profile and investment objectives by obtaining your investment objectives, investment time horizon and risk profile through an interview process and the completion of a questionnaire.
- 2) We set a relevant asset allocation policy for each investor that is mutually agreed upon.
- 3) We diversify among asset classes and styles to maximize investment potential while diversifying risk.
- 4) Rebalance your portfolio. Rebalancing maintains the proper allocation to each asset class in the strategy or model. Rebalancing occurs when the portfolio deviates from the prescribed allocation based on an agreed upon variance. Rebalancing is reviewed for quarterly and will occur quarterly as needed or as mutually agreed upon.
- 5) Report results. Pershing LLC acts as the transfer agent and custodian for the investor's account. Beard will provide reporting services including consolidated monthly statements and year-end tax reports. Periodic performance reporting will be provided as specifically agreed upon.



## 401(k) Investment Management Services for Daily Value Plans

Beard Investment Services, Inc. provides the Trust or Trustee(s) of 401(k) Plans or 401(k) Plan Sponsors investment advisory services related to selecting investment alternatives and managing employee 401(k) participation through an investment management/accounting platform.

Beard Investments Services, Inc. working with the Trust/Trustees of the 401(k) Plan in its capacity as an investment advisor will select a group of mutual funds as the investment alternatives available for 401(k) plan participants to choose from. Beard Investment Services, Inc. will prepare benefit enrollment packages and Beard Investments Services, Inc. representatives will conduct employee meetings introducing and discussing the investment alternatives available to the eligible employees in the 401(k) plan.

Assets placed in this program are held by an independent custodian. The independent custodian places trades with the funds to purchase and sell shares daily as required by the 401(k) plan participants through contributions and withdrawals to/from 401(k) plan accounts. Fund shares to be purchased and sold by the plan participants are aggregated each day using a mutual fund record keeping platform. Mutual funds shares are purchased and sold daily as needed. The mutual fund record keeping system tracks the ownership of shares for each 401(k) participant. The designated recordkeeper mails out statements to 401(k) plan participants quarterly.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. Investment values will fluctuate both up and down, are subject to market volatility, and may be worth more or less than the original cost. All securities involve the loss of principal. In addition, while we believe our methodology and strategies will be profitable, there is no assurance this will always be the case.

While your brokerage account may allow margin transactions, we generally do not recommend the use of margin. We want you to understand the risks of margin transactions and recommend that you read your broker dealer's written disclosure document describing margin trading and its related risks.

## **Disciplinary Information**

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### **Legal and Disciplinary**

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Beard Investment Services, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

### **Criminal or Civil Action**

Registered Investment Advisors are required to disclose all material facts regarding any criminal or civil actions that would be material to your evaluation of Beard Investment Services, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

### **Administrative Proceeding**

Registered Investment Advisors are required to disclose all material facts regarding any administrative proceeding that would be material to your evaluation of Beard Investment Services, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

## Self-Regulatory Proceeding

Registered Investment Advisors are required to disclose all material facts regarding any self regulatory proceedings that would be material to your evaluation of Beard Investment Services, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

## Other Financial Industry Activities and Affiliations

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### Broker-dealer or Registered Representative

Beard Investment Services, Inc. is an affiliate of Beard Financial Services, Inc. Beard Financial Services, Inc. is a registered general securities broker dealer and Member of FINRA and SIPC. Our investment advisors representatives are also registered as registered representatives of Beard Financial Services, Inc. Our staff members registered with Beard Financial Services, Inc. may receive separate commission based compensation when they act as brokers. Beard Investment Advisor Representatives do not earn commission based compensation on investment advisor accounts.

### Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person

Beard Investment Services, Inc. and our staff are not affiliated with a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser.

### Material Relationships or Arrangements with Financial Industry

Beard Investment Services, Inc. is an affiliate of Beard Pension Services, Inc. Beard Pension Services, Inc. receives fees when it serves in the capacity as a "Third Party Administrator or TPA" for providing services and consulting services to the 401(k) Plans and/or 401(k) Plan Sponsors. These fees commonly referred to as "TPA Fees" are paid by the 401(k) Plan sponsor company.

### Recommend or Select Other Investment Advisers

As part of the SEI Asset Management Program, Beard Investment Services, Inc. employs models and funds created and mutual funds selected by SEI Investments Management Corporation. In addition, SEI chooses other outside managers or utilizes institutional investment management firms to monitor investment style and performance.

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

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### Code of Ethics

Beard Investment Services, Inc. has adopted a formal Code of Ethics. This Code of Ethics includes requirements to make sure that we meet our fiduciary responsibilities which include the following subjects:

1. Definition of Terms
2. Standard of Conduct & Statement of General Fiduciary Principles
3. Protecting Inside Information
4. Restrictions of Personal Investing

5. Reporting Personal Securities Transactions and Accounts
6. Monitoring Personal Securities Transactions
7. Administration of the Code of Ethics and Violations
8. Acknowledgement of Code of Ethics

Beard Investment Services, Inc. will provide a copy of our Code of Ethics to clients and prospective clients upon request. To obtain a copy contact Mark Smallwood at (330) 758-0575 or by e-mail at mark@beardpension.com.

## **Recommend Securities with Material Financial Interest**

Beard Investment Services, Inc. and its investment advisor representatives do not have any material financial interest in any public companies.

## **Invest in Same Securities Recommended to Clients**

Most of our client recommendations are mutual fund shares. It is possible that our employees and officers could invest in the same mutual funds that we recommend to clients. Because mutual fund transactions are priced at the end of the day or a designated cut-off time, both the employee and our client will receive the same price.

## **Personal Trading Policies**

Our firm has "Personal Securities Transaction Policy" that as a general rule states that in a situation where an investment conflict of interest occurs between a client and one of our associates or affiliates, the conflict of interest will be resolved in the best interests of the client. Officers and employees are required to report existing personal investments they own so the firm can properly manage any conflicts of interest. Our employees and officers are required to submit quarterly personal securities transaction reports to the compliance officer.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

We recommend brokers or dealers to effect portfolio transactions. In doing so, consideration is given to the proven integrity and financial responsibility of the various firms as well as to their demonstrated execution experience and capability generally and in regard to particular markets or securities and to the competitiveness of the commission rates they charge.

With respect to any brokerage commissions charged by executing broker-dealers, we will regularly and continuously review such charges within the forgoing criteria and such other comparative standards which it may regard as pertinent for the purpose of evaluating reasonableness of commissions charged to our clients. As permitted by law, (specifically by the provisions of Section 28(e) of the Securities Exchange Act of 1934), we may cause clients to pay a broker-dealer an amount of commission for executing a portfolio transaction order on behalf of its clients which is in excess of the commissions other broker-dealers would have charged for effecting such a transaction. In order to do so, we must determine in good faith that the higher commissions are reasonable in relation to the value of the brokerage and research services provided by the executing broker-dealer viewed in terms of either a particular transaction or our overall responsibilities to our other clients.

### **Research and Soft Dollars**

We receive information and research includes including; economical and financial market commentaries from SEI Private Trust Company and its affiliated entities.

## Brokerage for Client Referrals

We do not engage in the practice of directing brokerage trades to outside broker dealers for client referrals.

## Directed Brokerage

In almost every case we direct trades based on each client's direction. Typically, our trades are placed directly with the client's custodian. In a very rare circumstance, a trade may be done with one broker dealer and settled with the client's account at another broker dealer as part of a COD transaction. This is always per the client's instruction.

## Order Aggregation

Most transactions for each client account are entered on a transaction-by-transaction basis. The broker dealer with which we direct trades to may decide to purchase or sell the same securities for several clients at approximately the same time and might combine (otherwise known as aggregating or batching transactions) for these orders. This process occurs through the use of an average price account. By aggregating orders of the same securities, the broker dealer may be able to obtain a better overall execution price. In addition, you may be able to obtain lower transaction costs that might or might not have been obtained had multiple orders been placed independently. When aggregating trades in the average price account the brokerage firm generally averages the price and charges one commission per client per security. We receive no additional compensation, fees or remuneration from the aggregation of client trades in an average price account.

## Review of Accounts

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### Periodic Reviews

Our review process typically includes a discussion with the client regarding any changes to his/her financial goals and purpose for the invested assets. Next, we review the performance of the account and discuss any recommendations for changing the investment strategy. Account reviews are typically scheduled in advance with a client, however, our clients are always welcome to call and schedule an appointment at any time. In addition, we review the asset allocation models recommended to our clients and the underlying funds included in the models.

### Review Triggers

Review meetings with clients are typically scheduled for a variety of reasons including the following:

1. The advisor has scheduled a regular quarterly, semi-annual, or annual meeting with the client.
2. We have proposed changes to the client's investment strategy and would like to discuss it with them.
3. The client's needs or purpose for the investment account have changed and they would like to discuss it with the advisor.

When SEI informs us of recommendations to update or change models we review these changes based on the impact it could have on our customers. Through this model review process we may review the components of your account without conducting a formal scheduled review.

## Regular Reports

The broker dealer or custodian handling your account sends you account statements at least quarterly. These account statements show money balances, securities held in the account, investment values and transactions made.

## Client Referrals and Other Compensation

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### Economic Benefits

SEI Private Trust Company and its affiliated entities are the primary source of investment information and research. Such information and research includes among other things; economical and financial market commentaries, investment manager selection, consolidated monthly statements, quarterly performance reports, year end tax reports and other research material.

### Third Party Solicitors

We do not pay any individuals or organizations for client referrals.

## Custody

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### Account Statements

We do not take custody of your funds and securities. As a result, Beard Investment Services, Inc. does not accept securities or forward securities to your brokerage firm or custodian. The only checks accepted as payable to Beard Investment Services, Inc. are those submitted for payment of advisory fees. You will not give us authority to withdraw securities of funds (other than for payment of advisory fees) from your account.

The broker dealer or custodian handling your account sends you account statements at least quarterly. These account statements show money balances, securities held in the account, investment values and transactions made.

Beard Investment Services, Inc. is deemed to have custody due to its ability to deduct management fees in accordance with the advisory agreement, but does not otherwise have any access to client assets.

## Investment Discretion

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### Discretionary Authority for Trading

Beard Investment Services, Inc. does not have any discretionary accounts. We do not exercise discretion in your account(s).

### Limited Power of Attorney

Beard Investment Services, Inc. does not have any limited power attorney accounts. We do not use limited power of attorney to make investments in your account(s).

## **Voting Client Securities**

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### **Proxy Voting**

We do not accept authority to vote securities on your behalf. Your brokerage firm or custodian sends proxies or other solicitations about your securities directly to you. If you have questions about a particular solicitation, you can contact your representative for advice. You are not obligated to follow your representative's advice on voting your securities.

## **Financial Information**

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### **Prepayment of Fees**

Fees for your investment advisor services are charged quarterly based upon the value of assets managed based valuations done by the client's custodian or other pricing services at the end of each calendar quarter. We do not require any prepayment of fees.

### **Financial Condition**

Beard Investment Services, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

### **Bankruptcy**

Beard Investment Services, Inc. has not been subject to a bankruptcy proceeding.

## **Requirements for State-Registered Advisers**

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This item does not apply to Beard Investment Services, Inc.