

**Form ADV Part 2A**

**Beacon Investment Management, LLC**

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**[www.beaconinvestments.com](http://www.beaconinvestments.com)**

**March 2020**

This Brochure provides information about the qualifications and business practices of Beacon Investment Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 617-357-8306. 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 Beacon Investment Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – Material Changes**

There have been no material changes to the brochure since it was last updated in April 2019

You may request a copy of our Brochure by contacting Brian McKenney, Senior Managing Partner and Chief Compliance Officer at 617-357-8306.

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#### **Item 4 – Advisory Business**

Beacon Investment Management, LLC is a 5 person firm headquartered in Boston, Massachusetts. The firm was established in 1999. Brian McKenney is the sole owner.

Beacon Investment Management offers portfolio management and consulting services.

##### **Portfolio Management**

Beacon Investment Management develops investment strategies and specific trade recommendations suited to each client objectives. The advisor(s) will examine the client's financial information and history including, but not limited to, investments objectives and time horizon, risk tolerance, retirement goals, assets, client's cash flow, expenses, tax considerations, education needs, and savings. The advisor will analyse the client's general financial situation and make recommendations to assist the client in working toward these financial goals. All accounts are managed on a non-discretionary basis. This means that recommendations are implemented only after receipt of the client's consent. Clients have a right to decline any investment recommendation

##### **Consulting Services**

Beacon Investment Management also offers non-investment planning and consultative services on such topics as business planning, budgetary planning and fringe benefit analysis. As each project in this category is unique, our advisor and the client determine the scope of the project and the end product to be delivered to the client before entering into an advisory agreement. The client is responsible for providing all information relevant to the project at the time the project is initiated. Additionally, if any of the information changes while Beacon Investment Management is working on the project, the client is responsible for making the advisor aware of the change(s) as soon as possible to ensure that the end product delivered by Beacon Investment Management meets the client's needs.

Beacon Investment Management does not participate in wrap fee programs.

##### **General Information**

The investment advisory services provided by Beacon Investment Management depend largely on the personal information the client provides to the advisor. For our advisors to provide appropriate investment advice to and to make appropriate investment recommendations for, the client, it is very important that clients provide accurate and complete responses to their advisor's questions about their financial condition, needs and objectives, and any reasonable restrictions they wish to apply to the securities or types of securities to be bought, sold, or held in their managed account. It is also important that clients inform their advisor of any changes in their financial condition, investment objectives, personal circumstances, and reasonable investment restrictions pertaining to the management of the account, if any, which may affect the client's overall investment goals and strategies.

Investment recommendations and advice offered by Beacon Investment management and its advisors do not constitute legal, tax, or accounting advice. Clients should coordinate and discuss the impact of the financial advice from their advisor with their attorney and accountant. Clients should also inform their advisor promptly of any changes in their financial situation, investment

goals, needs, or objectives. Failure to notify the advisor of any material changes could result in investment advice not meeting the changing needs of the client.

As of December 31, 2019, Beacon Investment Management managed assets with a value of \$216,573,945. All managed accounts are non-discretionary accounts meaning that clients are contacted prior to any trade execution to authorize the transaction.

## **Item 5 – Fees and Compensation**

### **Portfolio Management Fees**

Portfolio Management fees are charged quarterly in arrears based on a calendar quarter. The fee shall be calculated based upon the value of each separate account under management on the last business day of the most recently completed calendar quarter. Fees are prorated for partial calendar quarters (i.e. accounts established during a calendar quarter or closed during a calendar quarter). Advisory fees are negotiable.

Our advisory fee schedule is as follows:

<u>Assets under Management</u>	<u>Maximum Annual Fee</u>
Up to \$999,999	2.20%
\$1,000,000 to \$4,999,999	1.55%
\$5,000,000 and above	Negotiable

By executing an advisory agreement and an “Authorization to Pay Fees to Investment Adviser form”, the client authorizes Beacon Investment Management to deduct advisory fees directly from the client’s account. Client may reimburse the account for advisory fees paid to Beacon Investment Management, except for ERISA and IRA accounts.

Clients may make additions to or withdrawals from their account. Additional deposits of funds and/or securities during a particular calendar quarter are subject to billing on a pro rata basis. Clients who withdraw funds from a managed account during a billing period are not generally entitled to a pro rata refund unless they are terminating their managed account during a billing period are not generally entitled to a pro rate refund unless they are terminating their managed account program client agreement. Beacon Investment Management may waive a particular fee, whether on an ongoing or a one-time basis, in its sole discretion.

Clients may terminate the advisory agreement, without penalty, upon written notice within five (5) business days after signing the agreement. Clients will be responsible for any fees and charges incurred by client from third parties for services provided to the account during such period. Thereafter, client may terminate the advisory agreement immediately upon written notice to and received by Beacon Investment Management. Should client terminate the advisory agreement during a quarter, client will be charged a pro-rata portion of the advisory fee for the quarter up to the date of termination. The final fee will be based on the account value as of the termination date.

Clients should be aware that, when assets are invested in shares of mutual funds or variable insurance products, clients will pay investment advisory fees to Beacon Investment Management and to the advisor for their advisory services in connection with the investments. In addition to the payments received by Beacon Investment Management and the advisor, clients will also

typically pay management fees and other fees charged by the investment company, alternative investment, or insurance product sponsor themselves. Clients may be able to invest directly in the investment company, alternative investment, or insurance product without incurring the investment advisory fees charged by Beacon Investment Management. If a client's assets are invested in a fee-based annuity, the client will pay both the direct management fee to Beacon Investment Management and his or her advisor for the advisory services provided by Beacon Investment Management and the advisor in connection with that investment and, indirectly, the management and other fees charged by the underlying annuity investment options, as well as the charges assessed by the insurance company for the product. Of course, clients should also be aware of the tax implications of investing, as well as of the existence of deferred sales charges or redemption fees charged by some product sponsors for positions the client subsequently sells in Beacon Investment Management managed accounts

### **Consulting Services Fees**

Fees for consulting services are charged either on an hourly basis at \$350.00 per hour or as a flat fee with a minimum of \$1,000.00. The flat rate fee is the only negotiable fee. Fees are based on several factors including, but not limited to, complexity of the client's situation, amount of research, number of meetings, services requested, staff resources, travel, etc. The client and the client's advisor will determine whether hourly fees or a flat fee is appropriate for the requested services. Hourly fees will be charged to projects requiring ongoing consultative services and project end is undetermined. Terms of the fees will be as agreed upon by client and the client's advisor.

Consulting services fees are incorporated in the advisory agreement where the client seeks to obtain both portfolio management services and consulting services. In the event the consulting services are requested after the advisory agreement for portfolio management services has been entered into, the client will receive an addendum to the advisory agreement which will contain the agreed upon consulting fees.

The advisory agreement for consulting services may be terminated by either party at any time upon written notice, provided such notice is received by Beacon Investment Management prior to the completion of the requested project. Clients will be charged for partial completion of project should client terminate the advisory agreement before the project has been completed. There is no provision for the refund of fees when services have been rendered or for partial performance of work due to client's decision to terminate the advisory agreement. Services are deemed rendered and the advisory agreement is performed upon presentation of the project, whether complete or partially complete.

### **Other Fees and Costs**

When executing securities transactions through Commonwealth, clients will incur the securities clearance and settlement fees charged by Commonwealth's clearing broker/dealer with a substantial mark-up that is retained by Commonwealth. Commonwealth adds a mark-up to the transaction fees assessed by its clearing firm and paid by clients or clients' advisors to compensate Commonwealth for the cost of its resources utilized in processing the transaction(s) and to generate additional revenue for Commonwealth. Beacon Investment Management typically passes on the securities clearance and settlement fees charged by Commonwealth and its clearing broker/dealer. The maximum charges are as follows:

Clients will in substantially all cases pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the managed account. Beacon Investment Management does not share in any portion of such fees. Additionally, clients who invest in mutual funds may be charged management and administrative fees, and sales charges, as well as the mutual fund adviser's fee. Such fees are not shared with Beacon Investment Management. Clients should read the mutual fund prospectus prior to making an investment.

### **Mutual Fund Fees and Expenses**

In most cases, mutual fund companies offer multiple share classes of the same mutual fund. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Institutional and advisory share classes typically have lower expense ratios and are less costly for a client to hold than Class A shares or other share classes that are eligible for purchase in an advisory account. Mutual funds that offer institutional share classes, advisory share classes, and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified fee-based programs. The lowest-cost mutual fund share class for a particular fund may not be offered through our clearing firm or made available by Beacon Investment Management for purchase within our managed accounts. Clients should never assume that they will be invested in the share class with the lowest possible expense ratio or cost.

Beacon Investment Management urges clients to discuss with their advisor whether lower-cost share classes are available in their particular program account. Clients should also ask their advisor why the particular funds or other investments that will be purchased or held in their managed account are appropriate for them in consideration of their expected holding period, investment objective, risk tolerance, time horizon, financial condition, amount invested, trading frequency, the amount of the advisory fee charged, whether the client will pay transaction charges for fund purchases and sales, whether clients will pay higher internal fund expenses in lieu of transaction charges that could adversely affect long-term performance, and relevant tax considerations. Your advisor may recommend, select, or continue to hold a fund share class that charges you higher internal expenses than other available share classes for the same fund.

The purchase or sale of transaction-fee ("TF") funds available for investment through Beacon Investment Management will result in the assessment of transaction charges to you, your advisor, or Commonwealth. Although no-transaction-fee ("NTF") funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. Depending upon the frequency of trading and hold periods, NTF funds may cost you more, or may cost Commonwealth or your advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of their accounts when compared to share classes of the same fund that assess lower internal expenses.

The existence of various fund share classes with lower internal expenses that Beacon Investment Management may not make available for purchase in its managed account programs present a conflict of interest between clients and Beacon Investment Management or its

advisors. A conflict of interest exists because Beacon Investment Management and your advisor have a greater incentive to make available, recommend, or make investment decisions regarding investments that provide additional compensation to Beacon Investment Management that cost clients more than other available share classes in the same fund that cost you less. For those advisory programs that assess transaction charges to clients or to Beacon Investment Management or the advisor, a conflict of interest exists because Beacon Investment Management and your advisor have a financial incentive to recommend or select NTF funds that do not assess transaction charges but cost you more in internal expenses than funds that do assess transaction charges but cost you less in internal expenses.

For Massachusetts Residents: Massachusetts General Law Section 203A requires disclosure that information about the disciplinary history and the registration of Beacon Investment Management and its associated persons may be obtained by contacting the Public Reference Branch of the SEC at 202.942.8090, or by contacting the Massachusetts Securities Division at One Ashburton Place, 17th Floor, Boston, MA 02108 or at 617.727.3548.

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

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

#### **Item 7 – Types of Clients**

Beacon Investment Management, LLC provides portfolio management and consulting services to individuals, trusts, estates, and corporations or business entities.

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

Beacon Investment Management employs fundamental, quantitative and technical analysis for equity securities. The advisors evaluate credit quality and tax treatment of interest income, as well as yield curve analysis and interest rate forecasting for bond investments. Beacon Investment Management's investment strategy is to allocate the client's assets among equities, fixed income securities, mutual funds, and cash equivalents in a manner designed to achieve the client's objectives.

Some of the common risks you should consider prior to investing include, but are not limited to:

- **Market Risk:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.
- **Interest rate risk;** The prices of, and the income generated by, most debt and equity securities may be affected by changing interest rates and by changes in effective maturities and credit ratings of these securities. For example, the prices of debt securities generally will decline when interest rates rise and will increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a



security before its stated maturity date, which may result in having to reinvest the proceeds in lower-yielding securities.

- **Credit Risk:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent.

Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Beacon Investment Management does not employ strategies which involve frequent trading.

Clients are advised that certain assumptions may be made with respect to interest and inflation rates, and that we may take into consideration past market and economic trends when developing strategies for the client.

Beacon Investment Management recommends a variety of investment vehicles depending upon the client's objectives and market conditions. There is no predisposed bias toward one investment vehicle versus another.

Past performance is not an indication of future of performance. Investing in securities involves a risk of loss that clients must be prepared to bear.

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

Beacon Investment Management is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Beacon Investment Management or the integrity of its management.

During the period January 1, 2014, to September 30, 2017, Beacon purchased, recommended, or held for advisory client's mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. Associated persons received 12b-1 fees in connection with these investments. The Securities and Exchange Commission ("SEC") found that Beacon failed to disclose in its Form ADV or otherwise the conflicts of interest related to its receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees. As a result of these disclosure failures, the SEC found that Beacon violated Sections 206(2) and 207 of the Advisers Act. Pursuant to the Division of Enforcement's Share Class Selection Disclosure Initiative, Beacon self-reported these violations to the SEC. On March 11, 2019, the SEC accepted Beacon's offer of settlement and entered an administrative order. Without admitting or denying the findings, Beacon consented to a cease and desist, censure, and disgorgement of \$150,696.18 and prejudgment interest of \$15,152.72.

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

Our advisors are also registered representatives of Commonwealth Equity Services, Inc. (DBA Commonwealth Financial Network), a FINRA registered broker/dealer and SEC registered investment adviser ("Commonwealth"). Our advisors act as registered representative of Commonwealth in the execution of securities transactions for our clients. Our advisors dedicate approximately 25% of their time toward registered representative activities.

Most of our advisors are also investment adviser representatives of Commonwealth and dedicate approximately 10% (combined with their registered representative activities) of their time to this activity.

Some of our advisors are licensed as life, health and accident insurance brokers with all appropriate state Departments of Insurance, and will receive commissions on insurance products sold. Clients are not required to purchase insurance products from our advisors.

Clients are under no obligation to purchase or sell securities through our advisors. However, if you choose to invest with us, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at Commonwealth than at other Broker/Dealers. Our advisors have a conflict of interest in recommending clients purchase securities and/or insurance related products through Commonwealth in that the higher their production with Commonwealth the greater potential for obtaining a higher pay-out on commissions and/or fees earned. Where permitted by law, Commonwealth and/or your advisor may receive transaction-based commissions, distributor fees, service fees, due diligence fees, marketing reimbursements, revenue sharing, or other payments relating to your investment in or otherwise supporting Commonwealth's or your advisor's activities regarding the securities and insurance products recommended, purchased, or held within your account. To the extent Commonwealth is the investment adviser, sponsor, or other service provider to your investment advisory program, Commonwealth receives compensation for its services. Clients should be aware that Commonwealth's or your advisor's receipt of commissions, fees, payments, and other compensation presents a conflict of interest because Commonwealth or your advisor has an incentive to make available or to recommend those products or programs, or make investment decisions regarding investments, that provide such compensation to Commonwealth or your advisor.

Our advisors, when acting in such dual roles, are required to follow the standard set forth in our Code of Ethics. See Item 11 below.

## **Item 11 – Code of Ethics**

Beacon Investment Management has a fiduciary duty to act in the best interest of the client and always place the client's interests first and foremost. Beacon Investment Management takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as Beacon Investment Management's policies and procedures.

Beacon Investment Management maintains a Code of Ethics (the "Code") for its advisors, supervised persons and staff. The Code contains provisions for standards of business conduct in order to comply with applicable securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, Code violations reporting requirements, and

safeguarding of client information. A copy of the Code will be provided to any client or prospective client upon request.

Our advisors may buy or sell for their own accounts securities identical to securities recommended to clients. Therefore, our advisors may have an interest or position in certain securities that are also recommended and bought or sold for clients. Beacon Investment Management's advisors will not put their interests before the client's interest. Our advisors must not trade ahead of their clients or trade in such a way as to obtain a better price for themselves than for their clients. Beacon Investment Management is required to maintain a list of all securities holdings for its associated persons. Furthermore, associated persons are prohibited from trading on non-public information or sharing such information other than with others who have a business reason to know. Beacon Investment Management and its associated persons are required to conduct their securities and investment advisory business in accordance with our policies and all applicable Federal and State securities regulations.

Beacon Investment Management requires all employees to handle client information in such a way as to protect information from falling into hands that have no business reason to know such information. Beacon Investment Management's Privacy Policy is provided to clients at the opening of an account and thereafter at least annually.

## **Item 12 – Brokerage Practices**

Our advisors recommend to our clients the use of Commonwealth as the broker/dealer for executing securities transactions. Clients are not obligated to use Commonwealth. However, if clients elect to implement our recommendations through our advisors, then the broker/dealer must be Commonwealth. As previously discussed in Item 10, Beacon IARs are also registered representatives of Commonwealth. As such, pursuant to FINRA Rule 3280, our IARs are restricted to only offering those products and services that have been reviewed and approved for offering to the public through Commonwealth. Please note that not all RIAs require clients to place their accounts with a particular broker dealer. You are not required to implement our recommendations through our advisors. We have a conflict of interest in recommending that you open an account through them with Commonwealth as our advisors will earn compensation in the form of advisory fees if you choose to do so. We attempt to mitigate this conflict of interest by:

- Informing you of conflicts of interest in our disclosure document and agreement
- Maintaining and abiding by our Code of Ethics which requires us to place your interests first and foremost
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals for implementation

Beacon Investment Management endeavors to seek best execution for its clients. As a result, we consider several factors in recommending Commonwealth including our historical relationship with Commonwealth and our knowledge of its operations, its financial stability, reputation, and service. We periodically analyze other broker/dealer services and costs against Commonwealth services. Based on our analysis, we have determined that Commonwealth continues to offer the best services and costs to Beacon and our clients. However, please note that we cannot guarantee that lower costs are not available from other broker dealers.

Commonwealth offers our firm and our firm's advisory representatives one or more forms of financial benefits based on our advisory representatives' total AUM held at Commonwealth and financial assistance for advisory representatives transitioning from another firm to Commonwealth. The types of financial benefits that our advisory representatives may receive from Commonwealth include, but are not limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform, and account fees; technology fees; research package fees; financial planning software fees; administrative fees; brokerage account fees; account transfer fees; and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that advisory representatives may receive from Commonwealth are a conflict of interest and provide a financial incentive for advisory representatives to select Commonwealth as broker/dealer for your accounts over other broker/dealers from which they may not receive similar financial benefits. We attempt to mitigate this conflict of interest by disclosing the conflict in this brochure, and by engaging in a regular review of our relationship with Commonwealth to ensure the relationship continues to be appropriate in all respects for our firm's clients.

#### **Placement of clients into lowest cost available mutual fund share class**

Beacon Investment Management requires that all clients be placed into the lowest cost share class of any mutual funds held in client accounts absent any documented rationale where a higher cost share class is considered appropriate. To that end, Beacon Investment Management will contact the General Investigations team at Commonwealth on a quarterly basis to request a mutual fund share class conversion report. This report will identify any mutual fund positions held in client accounts that can be converted to a lower cost share class. Beacon Investment Management will examine this report, document any cases where conversions may not be appropriate (for example, when the transaction costs of the lower cost share class will outweigh any cost benefit to the client gained by converting to that share class), and instruct Commonwealth to process conversions for any positions where conversions are deemed appropriate. Beacon Investment Management will retain documentation of any exceptions in client files, and documentation of processed conversions in a share class conversion file.

Beacon will examine any exceptions to this policy not less than annually to ensure that the total costs to clients (when taking into consideration all related costs, including but not limited to transaction costs) remaining invested in a higher cost share class remain lower than if the client were invested in the lower cost share class. This review will be documented in the client file.

#### **Block Trading Policy**

Beacon Investment Management may aggregate ("bunch") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share. However, aggregated or bunched orders will not reduce the transaction costs to participating clients. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Beacon Investment Management conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client.

Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated pro-rata to the participating client accounts in proportion to the size of the orders placed for each account. The amount of securities maybe increased or decreased to avoid holding odd-lot or a small number of shares for particular clients. It should be noted; Investment Partners does not receive any additional compensation or remuneration as a result of aggregation. Advisory clients purchase funds at net asset value.

### **Soft Dollars**

Beacon Investment Management does not use commissions to pay for research and brokerage services (i.e., soft dollar transactions). Research, along with other products and services other than trade execution, are available to Beacon Investment Management on a cash basis from various vendors.

### **Core Account Sweep Programs (“CASPs”)**

Our relationship with Commonwealth offers our firm access to two core account sweep programs (“Programs”). These Programs are the core account investment vehicles used to hold your cash balances while awaiting reinvestment for eligible accounts. The two Programs, the Bank Deposit Sweep Program (“BDSP”) and the Advisory Retirement Sweep Retirement (“ARSP”), are available for different types of client accounts. The BDSP is the core account investment vehicle for eligible brokerage accounts. The ARSP is the core account investment vehicle for eligible advisory individual retirement accounts. The cash balance in your eligible Commonwealth brokerage accounts will be deposited automatically or “swept” into interest-bearing FDIC-insurance eligible Program deposit accounts (“Deposit Accounts”) at one or more FDIC-insured financial institutions (each a “Program Bank” or collectively, “Program Banks”).

**BDSP.** The Program creates financial benefits for Commonwealth and NFS. Commonwealth will receive a fee from each Program Bank in connection with the Program (equal to a percentage of all participants’ average daily deposits at the Program Banks). Amounts will vary but in no event will they be more than 2.50% on an annualized basis as applied across all Deposit Accounts. At Commonwealth’s discretion, Commonwealth may reduce or raise their fee and may vary the amount of the reductions between clients. The fee will typically vary from Program Bank to Program Bank. The amount of fee received by Commonwealth will affect the interest rate paid to customers by the Program Bank. Commonwealth will also pay a fee to NFS. Commonwealth reserves the right to modify the fees they receive from Program Banks. From time to time, if the fee increases, you will receive notification of any such change. In addition to Commonwealth’s fee, other service providers with respect to the Program will receive fees from each Program Bank (collectively, with the fees paid to us and/or NFS, “Program Fees”). In addition to the Program Fees referenced above, your brokerage account will be charged additional fees that apply to the securities accounts maintained by you.

The Program Banks use Program Deposits to fund current and new lending and for investment activities. The Program Banks earn net income from the difference between the interest they pay on Program Deposits and the fees paid to us and the income they earn on loans, investments, and other assets. As noted above, the Program Banks may pay rates of

interest on Program Deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the Program Bank. Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a Program Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus.

The revenue generated by Commonwealth may be greater than revenues generated by sweep options at other brokerage firms and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles that we have used in the past or may consider using in the future. In addition, Commonwealth will make compensation payments to NFS, our clearing agent, for recordkeeping and other services with respect to amounts invested in the Program, which will be no more than 70 basis points (0.70%). NFS may receive more revenue with respect to amounts in the Program than with respect to other sweep products.

Because of the fees and benefits described above, the Program may be more profitable to Commonwealth than other available sweep options, if any. Commonwealth and/or NFS will benefit from the possession and temporary investment of cash balances prior to the deposit of such balances in the Program.

**ARSP.** The Program provides financial benefits for Commonwealth and NFS. For their services in connection with maintaining and administering the Program, Commonwealth and NFS will receive fees, including a per-account fee if certain independent market triggers are satisfied. It is expected that these fees will be covered by income generated by the cash balances in the Program, with the remaining economics flowing to you. Both your and Commonwealth's fees are based on a fixed formula and vary based on factors such as the Federal Funds Effective Rate ("FFER"), total AUM, and number of accounts in the program. Commonwealth's fee will be the sum of two fees: (i) a variable rate that is a subset of the total rate applied to a portion of the cash balances in the Program ("Variable Fee"), and (ii) a per-account fee ("Account Fee").

The account interest received will be the net of the gross fee paid by the Program Banks less the fees paid to the administering party, NFS, and Commonwealth. When the FFER is 1.00%, Commonwealth will receive 95 basis points (0.95%). As the FFER increases above 1.00%, the majority of the incremental economics will generally flow to you, as the program shares 70.00% of the change in the underlying market interest rates as measured by the FFER with you, with the remaining 30.00% flowing to Commonwealth, establishing Commonwealth's Variable Fee. When the FFER declines below 1.00%, Commonwealth will absorb 100.00% of the variance in the fee, and you will continue to be paid the net remaining interest. Commonwealth's Account Fee will be \$1.00 per account each month and applied when the average monthly FFER from the prior month exceeds 1.10%. Both of Commonwealth's fees are expected to be received directly from the proceeds paid by the participating Program Banks and not directly from your account, although in the event that the proceeds paid from the Program Banks are insufficient, we may charge your account directly to cover the fees. While your yield will be available on your account statement, these fees will not generally be seen on your statement unless there is a need to charge your account directly. Financial advisors do not receive any of the fees received by Commonwealth or NFS. Other than these stated fees, there will be no charges, fees, or commissions imposed on your account with respect to the Program.

The total ARSP economics are based on and, therefore, vary due to three primary factors: (i) the amount of cash balances in the Program, (ii) the number of accounts in the Program, and (iii) market interest rates, which are typically represented by the FFER. Commonwealth's compensation under the Program is not affected by the actual amounts held in the Deposit Accounts but will vary with the FFER. The Variable Fee rate will be applied to a fixed representation of cash balances, defined as 4.00% of total assets within accounts related to the ARSP Program under administration by Commonwealth. Amounts will vary, but in no event will Commonwealth's compensation be more than 250 basis points (2.50%) on an annualized basis across all Deposit Accounts.

Commonwealth can change the applicable fee schedule upon thirty (30) days' advance notice to you. The current FFER can be found at [www.federalreserve.gov/monetarypolicy/openmarket.htm](http://www.federalreserve.gov/monetarypolicy/openmarket.htm).

Applicable law governing retirement accounts, such as qualified plans under ERISA and individual retirement accounts under the Internal Revenue Code, necessitates that interest rates paid by the Program Banks for deposits in the Deposit Accounts, Commonwealth's fee, and other service fees were negotiated at arm's length, are believed to be fair and reasonable, and are designed to approximate the value for the services involved and in the context of customers' Eligible Assets.

Although it is anticipated that Commonwealth's fees under the Program will be covered by amounts paid by the Program Banks, and you direct NFS to collect such fees from the amounts collected from Program Banks, Commonwealth reserves the right to withdraw (or direct NFS to withdraw) the monthly account fee, or a portion thereof, from your account in the unlikely event or to the extent that the amount received from the Program Banks for the period is less than Commonwealth's fee for the same period.

The revenue generated by Commonwealth will vary compared to revenues generated by sweep options at other brokerage firms or possible core account investment vehicles that Commonwealth has used in the past or may consider using in the future. In addition, Commonwealth will make compensation payments to NFS, our clearing agent, for recordkeeping services with respect to amounts invested in the Program, which will be no more than 70 basis points (0.70%). NFS or the program administrator may, from time to time, temporarily reduce its fees during certain periods, such as when necessary to help ensure that the interest rates paid by the Program Banks during the period equal the applicable disclosed customer rate for the period. Under such circumstances, NFS or the program administrator, as the case may be, may recover any such reduced fees, subject to its targeted compensation rate, from future periods. NFS may receive more revenue with respect to amounts in the Program than with respect to other sweep products.

Specific program features and account eligibility of the CASP are further explained in the Disclosure Document provided to all Commonwealth brokerage clients. A current version of Commonwealth's CASP Disclosure Document is available at [www.commonwealth.com/clients/media/BankSweepDisclosureDocument.pdf](http://www.commonwealth.com/clients/media/BankSweepDisclosureDocument.pdf).

### **Money Market Accounts**

For client assets awaiting reinvestment in money market funds rather than the CASP, the Fidelity Government Money Market Capital Reserves is available to clients in accounts held at

NFS. This fund pays Commonwealth up to 0.45% (45 basis points). Clients may instruct their advisor to manually select a Money Class money fund rather than the default Reserve Class money fund at any time.

### **NTF Program**

Additionally, NFS offers an NTF program composed of no-load mutual funds. Participating mutual fund sponsors pay a fee to NFS to participate in this program, and a portion of this fee is shared with Commonwealth. None of these additional payments is paid to Beacon Investment Management or any advisors who sell these funds. NTF mutual funds may be purchased within an investment advisory account at no charge to the client. Clients, however, should be aware that funds available through the NTF program often contain higher internal expenses than mutual funds that do not participate in the NTF program. Commonwealth's receipt of a portion of the fees associated with the NTF program creates a conflict of interest because Commonwealth has an incentive to make available those products that provide such compensation to NFS and Commonwealth over those mutual fund sponsors that do not make such payments to NFS and Commonwealth. While Beacon Investment Management does not receive additional compensation from NFS or Commonwealth based on the particular investment (potentially including one or more NTF funds), Beacon Investment Management's menu of investment options is limited to investments made available by Commonwealth. Thus, clients may be impacted by the conflict of interest previously described in this paragraph. As stated previously, Beacon Investment Management regularly evaluates our relationship with Commonwealth to ensure it remains appropriate for the firm and our clients.

The investment advisory services provided by Beacon Investment Management may cost the client more or less than purchasing similar services separately. Clients should consider whether or not the appointment of Commonwealth as the sole broker/dealer may result in certain costs or disadvantages to the client as a result of possibly less favorable executions. Factors to consider include the type and size of the account and the client's historical and expected account size or number of trades.

### **Item 13 – Review of Accounts**

Your advisor will review the overall performance of the portfolio annually either in person or via a scheduled conference call with the client. A written performance analysis report will be provided to the client before or at the time of the review. Throughout the year your advisor will monitor the portfolio performance, as well as news events, economic conditions and market conditions that may impact the performance of the portfolio. Additionally, your advisor will monitor events that may modify the outlook for specific market sectors or a specific holding. If conditions warrant either a modification to either the investment strategies or specific position(s) within the portfolio, your advisor will contact the client to discuss how to proceed. Clients may request additional reviews and are advised to notify their advisor of changes in financial goals, objectives, or financial situation. Clients select the advisor who will service their account(s).

Regular reports are made to clients during meetings, via telephone, written correspondence, and monthly portfolio statements. The frequency of such reports will vary depending on the nature (for example, the frequency of trading in the account) of the account and preferences of the client. But each client will be provided with account statements reflecting account activity at least



quarterly from their qualified custodian, and more frequently if there has been activity on the account. Additionally, clients will be provided with written confirmation of each security transaction executed in their account(s) on a per transaction basis.

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

Beacon Investment Management receives an economic benefit from Commonwealth in the form of the support, products and services Commonwealth makes available to Beacon Investment Management and other investment advisors whose clients maintain their accounts on Commonwealth's platform. These products and services, how they benefit us, and the related conflicts of interest are described in Item 12 of this brochure.

Beacon Investment Management's access to Commonwealth's products and services is not conditioned on our firm or our advisors giving particular investment advice, such as buying particular securities for our clients. Product vendors recommended by Beacon Investment Management may provide monetary and non-monetary assistance for the purposes of funding marketing, distribution, business and client development, educational enhancement and/or due diligence reviews incurred by Beacon Investment Management or our advisors relating to the promotion or sale of the product vendor's products or services. We do not select products as a result of the receipt or potential receipt of any monetary or non-monetary assistance. Beacon Investment Management's due diligence of a product does not take into consideration any assistance it may receive. While the receipt of products or services is a benefit for you and us, it also presents a conflict of interest. We attempt to mitigate this conflict of interest by:

- Informing you of conflicts of interest in our disclosure document and agreement;
- Maintaining and abiding by our Code of Ethics which requires us to place your interests first and foremost;
- Advising you of the right to decline to implement our recommendations and the right to choose other financial professionals for implementation.

#### **Item 15 – Custody**

Beacon Investment Management maintains a relationship with Commonwealth who, as described previously in this brochure, maintains a primary clearing relationship for the execution of client transactions with NFS as the account custodian, and a secondary clearing relationship for the execution of client transactions with Pershing as the account custodian. Substantially all of our advisory clients must select Commonwealth as the broker/dealer of record and NFS as the clearing firm for their managed accounts. In all cases, the name and address of the account custodian will be identified in the respective managed account client agreement.

Clients who establish a managed account with Beacon Investment Management utilizing Commonwealth as the broker/dealer of record will receive custodial account statements directly from the respective custodian that holds those assets, such as NFS, Pershing, or a direct product sponsor. Clients should carefully review the statements they receive from their account custodians

and should promptly report material discrepancies to Beacon Investment Management at (617) 357-8306.

Beacon Investment Management clients may also receive portfolio summary or performance reporting for their managed accounts from Beacon Investment Management or their advisor that are in addition to the account statements clients receive directly from the respective account custodian. Beacon Investment Management urges you to compare the account statements you receive from your account custodian with any account summary statements or reports you receive from us or your advisor. Although account holdings and asset valuations should generally match, for purposes of calculating performance and account valuations on your account, OUR summary or performance reporting month-end market values sometimes differ from custodial account statement month-end market values. The three most common reasons why these values may differ are differences in the manner in which accrued interest is calculated, the date upon which “as of” dividends and capital gains are reported, and settlement date versus trade date valuations. If you believe there are material discrepancies between your custodial statement and the summary statements or reports you receive from Beacon Investment Management or your advisor, please contact Beacon Investment Management directly.

#### **Item 16 – Investment Discretion**

Neither Beacon Investment Management nor its advisors have investment discretion. Prior to executing any transaction for a client, our advisors will contact the client to discuss the recommendation. Only upon receipt of the client’s verbal authorization will the advisor execute the transaction.

As a matter of firm policy, neither Beacon investment Management or its advisors have or will accept the authority to file class action claims on behalf of clients. This policy reflects Beacon Investment management’s recognition that it does not have the requisite expertise to advise clients with regard to participating in class actions. Beacon Investments Management and its advisors have no obligation to determine if securities held by the client are subject to a pending or resolved class action settlement or verdict. Beacon Investment Management and its advisors also have no duty to evaluate a client’s eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Beacon Investment Management and its advisors have no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured because of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients. The decision to participate in a class action or to sign a release of claims when submitting a proof of claim may involve the exercise of legal judgement, which is beyond the scope of services provided to clients by Beacon Investment Management or your advisor. In all cases, clients retain the responsibility for evaluating whether it is prudent to join a class action or opt out.

#### **Item 17 – Voting Client Securities**

Beacon Investment Management does not vote proxies on behalf of its clients. Client will receive proxies or other solicitations directly from their custodian. Clients may contact Beacon Investment Management with questions concerning proxies and solicitations. Beacon Investment Management will not direct clients on how to vote.

**Item 18 – Financial Information**

There are no financial conditions that are reasonably likely to impair Beacon Investment Management's ability to meet contractual commitments to clients.