



150 Summer Street, Haverhill, MA 01830

978.372.3008, fax: 978.372.8407

[terry@beatonmanagement.com](mailto:terry@beatonmanagement.com)

[www.beatonmanagement.com](http://www.beatonmanagement.com)

## **Firm Brochure**

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Beaton Management Company, Inc. If you have any questions about the contents of this brochure, please contact us at 978.372.3008 or by email at [terry@beatonmanagement.com](mailto:terry@beatonmanagement.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 Beaton Management Company, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

December 31, 2020

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. As such we have revised our ADV Part 2 form to reflect this new rule.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 978.372.3008 or by email at [terry@beatonmanagement.com](mailto:terry@beatonmanagement.com).

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# **Advisory Business**

## **Firm Description**

Beaton Management was formed in 1981 to provide investment and financial management services to individuals, families, trusts, foundations, estates, corporations and employee benefit plans. There are currently two full-time employees, an Investment Advisor and a Client Service Manager.

Our business objective is primarily to provide comprehensive wealth management services. Beaton Management works with clients to define financial objectives and to develop strategies for reaching those objectives.

The firm's compensation is solely from fees paid directly by clients. The firm does not receive commissions based on the client's purchase of any financial product. No commissions in any form are accepted. No referral fees are paid or accepted. No benefits are received from custodians based on client securities transactions ("soft dollar benefits").

Assets under the direct management of Beaton Management are held by independent custodians in the client's name. Beaton Management is not affiliated with any firms in the brokerage, insurance, or banking industries. This focus on investment and financial management on a fee basis effectively removes the potential conflicts of interest that other firms may encounter.

We may recommend other professionals (e.g., lawyers, accountants, insurance agents, real estate agents, etc.) at the request of the client. Other professionals are engaged directly by the client on an as-needed basis even when recommended to the client. Conflicts of interest will be disclosed to the client and managed in the best interest of the client.

## **Principal Owners**

Terrence A. Beaton is 100% stockholder of Beaton Management. There are no intermediate subsidiaries.

## **Advisory Services**

The primary service of Beaton Management is to provide investment advisory services. As part of this asset management function we often offer financial planning services.

In performing its services, Beaton Management is not required to verify any information received from the client or from the client's other professionals. Each client is advised that it remains his/her responsibility to promptly notify Beaton Management when there is any change in his/her financial situation and/or financial objectives for the purpose of reviewing, evaluating, or revising previous recommendations and/or services.

## **Tailored Relationships**

At Beaton Management, advisory services are tailored to the individual needs of clients. Client goals and objectives are clarified in meetings and via correspondence and are used to determine the course of action for each individual client.

Clients may impose restrictions on investing in certain securities or types of securities. This must be done in writing and be signed by the client and Beaton Management. Agreements may not be assigned without client consent.

**Managed Assets**

As of December 31, 2020, Beaton Management managed approximately \$270,000,000 in assets for about 130 clients. Approximately \$264,000,000 is managed on a discretionary basis and \$6,000,000 on a non-discretionary basis.

**Fees and Compensation**

**Description**

Beaton Management bases its fees on a percentage of Assets Under Management or hourly charges. Asset management fees are calculated on the following schedule:

First \$100,000	@	1.5%
Second \$100,000	@	1.0%
Third \$100,000	@	0.8%
Next \$200,000	@	0.6%
Over \$500,000	@	0.4%

**Fee Billing**

Fees are negotiable between Beaton Management and the client. Fees are billed quarterly in arrears. Clients may choose to have fees deducted quarterly from a designated brokerage account at their qualified custodian to facilitate billing, or to be invoiced quarterly. The client must consent in advance to direct debiting of their investment account.

**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, stocks, bonds, and exchange-traded funds. In some cases, custodians also charge monthly, quarterly or annual custody fees. Fees for custody are disclosed to clients when this type of arrangement is recommended.

Mutual funds and exchange traded funds generally charge a management fee for their services as investment managers. The management fee is included in the expense ratio. Mutual fund fees also include transaction charges for the purchase or sale of securities within the fund and may charge other fees as disclosed in the fund prospectus. These fees are in addition to the fees paid by the client to Beaton Management.

Please see the section entitled “Brokerage Practices” on page 4 for more information.

**Compensation for Sales of Investment Products**

The firm’s compensation is solely from fees paid directly by clients. The firm does not receive commission based on the client’s purchase of any financial product, including insurance. No commissions in any form are accepted.

**Performance-Based Fees**

**Sharing of Capital Gains**

Beaton Management does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. However, the nature of asset-based fees allows Beaton Management to participate in the growth of the client’s wealth. This also means that our fees can decline when the client’s portfolio declines in value.

## **Types of Clients**

### **Description**

Beaton Management provides investment services to individuals, families, trusts, estates, foundations, charitable organizations, and corporations. Beaton Management does not impose a minimum dollar value of assets or other condition for opening or maintaining an account.

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

### **Description**

Beaton Management primarily invests in equity securities, U.S. Treasury and other obligations of the U.S. Government, municipal bonds, corporate debt securities, Exchange Traded Funds (ETFs), mutual funds, hedge funds, and structured products. Use of conservative option strategies are made upon instructions from the client.

### **Methods of Analysis**

Security analysis at Beaton Management primarily is done by fundamental analysis and supported by both technical and quantitative analysis. The main sources of information include UBS and Wells Fargo research, S&P reports, Morningstar reports, financial newspapers and magazines, and security charts. Employees of Beaton Management also participate in industry and research conference calls.

### **Investment Strategies**

The investment strategies used to implement the investment advice given to clients include long-term purchases, short-term purchases, and trading securities. We may at times recommend unrelated, third-party investment managers who have a greater expertise in certain disciplines when appropriate for the client.

The investment strategy is based on the specific objectives, goals, income needs, tax situation, and risk tolerance of each client. Each client's portfolio is constructed solely for that client. We do not use model portfolios nor do we utilize composites to illustrate results.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach keeps the risk of loss in mind. However, as with all investments, clients face investment risks including the following: Loss of Principal Risk, Interest-rate Risk, Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk, and Financial Risk.

## **Disciplinary Information**

### **Legal and Disciplinary**

Beaton Management and its employees have not been involved in any legal or disciplinary events related to past or present activities.

## **Other Financial Industry Activities and Affiliations**

Beaton Management does not participate in any other industry business activities. The firm or its employees are not affiliated with any other firm in the financial services industry. At times we may recommend other firms or individuals who have greater expertise in certain disciplines when appropriate for the client; we do not receive any compensation for the recommendation.

## **Code of Ethics**

The employees of Beaton Management have committed to a Code of Ethics and Standards of Professional Conduct as outlined by the CFA Institute. The key points are: acting with integrity and in an ethical manner with all persons; putting the clients' interests first; using care when conducting investment analysis and making recommendations; acting in a professional and ethical manner; promoting the integrity of and upholding the rules governing capital markets; and maintaining and improving professional competence.

## **Participation or Interest in Client Transactions**

Beaton Management and its employees may at times buy or sell securities that are also held by clients. Employees adhere to a policy of not competing or benefitting from client's purchases and sales. The Chief Compliance Officer of Beaton Management is Terrence A. Beaton. Terrence reviews all employee trades. His trades are reviewed by Danielle L. Cameron. No trades are of significant enough value to affect the securities market.

## **Brokerage Practices**

### **Selecting Brokerage Firms**

Beaton Management does not have any affiliation with product sales firms. Custodians are selected on the basis of the research and services provided. Beaton Management generally recommends that clients utilize the brokerage and custodial services of Pershing Advisor Services (PAS) and UBS Wealth Management (UBS). Beaton Management is not affiliated with any of these broker-dealers. Factors which the firm considers in recommending custodians include their respective financial strength, reputation, execution, pricing, research and service. The commissions and /or transaction fees charged by PAS and UBS may be higher or lower than those charged by other financial institutions. The quality of research and the continuity of research services on a timely basis is very important. The research is used to service all of Beaton Management's clients, and not all such research may be useful for the account for which the particular transaction was affected. Commission rates are negotiated for the benefit of the client. Beaton Management does not receive fees or commissions from any of these arrangements. Beaton Management benefits from certain services, including but not limited to trading platforms, delivery of client information, research, and practice management advice. These benefits are standard in a relationship with custodians and are not in return for client recommendations or transactions. Beaton Management does not receive soft dollar benefits from the custodians to whom we recommend clients. Beaton Management usually, but not always, transacts trades with the brokerage firm that custodies the client's account. As such, best execution may be limited by this factor.

Clients may direct Beaton Management to use another Financial Institution instead of PAS or UBS to custody their assets. In the event that a client directs Beaton Management to use a particular broker or dealer, it should be understood that, under those circumstances, best execution or process may not be achieved.

## **Review of Accounts**

### **Periodic Reviews**

Terrence A. Beaton, President, or Danielle L. Cameron, Client Service Manager, continually monitors accounts. Formal reviews with clients are individually agreed upon with clients. Such reviews are normally provided on a quarterly, semi-annually, or annual basis as arranged with clients.



**Review Triggers**

Account reviews with clients are performed more frequently when market conditions dictate, by client request, by changes in tax laws, or by client circumstances. The client is responsible for updating Beaton Management should their situation or investment objectives change, or should they wish to receive a review of certain financial topics.

**Regular Reports**

Custodian firms provide clients with a monthly statement, unless there is no activity in an account and then a quarterly statement is provided. The statements show transactions consummated during the month, portfolio market values, unrealized gains and losses, dividends and interest received, and additions and withdrawals. Annual tax statements are also provided by the custodian for all taxable accounts. Reports prepared by Beaton Management are provided during formal reviews. Clients are encouraged to carefully review the statements provided by the custodians with those they receive from Beaton Management.

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

Beaton Management has been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other sources. The firm does not pay for referrals.

### **Referrals to Other Professionals**

Beaton Management does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Custody**

Beaton Management maintains accounts with independent qualified custodians. Clients will be sent monthly account statements from their respective qualified custodians if a transaction occurs, but clients should receive at least quarterly account statements from their qualified custodians. All clients should carefully review the statements provided by the qualified custodian.

Beaton Management may deduct management fees directly from client accounts as permitted by the client. If no permission is granted, then Beaton Management sends the invoice directly to the client for payment.

Beaton Management is deemed to have custody of client accounts when they act as a Trustee or Executor. As such Beaton Management is required to undergo an annual surprise examination by an independent public accountant to verify those assets for which it is deemed to have custody.

## **Investment Discretion**

### **Discretionary Authority for Trading**

Beaton Management accepts discretionary authority to manage accounts on behalf of clients. When Beaton Management accepts discretionary authority, they have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, and the broker to be used. Commission rates are negotiated with brokers. However, if discretionary authority is not granted, then Beaton Management consults with the client prior to each trade for approval.

## **Voting Client Securities**

### **Proxy Votes**

Unless the client designates otherwise, Beaton Management votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. In accordance with SEC Rule 206(4)-6, Beaton Management has established the following policies and procedures:

#### **I. Voting Mutual Fund Shares:**

- a. Beaton Management monitors the activity of funds it recommends to clients and performs limited review on funds not recommended by us.
- b. Beaton Management will review the issues on a case-by-case basis and vote proxies when the proxies are delivered to Beaton Management or when a client requests information on how to vote. The primary purpose and fiduciary responsibility of Beaton

Management in voting proxies is to maximize shareholder value. In the case where we do not recommend a specific fund requiring voting, we will make recommendations based on our knowledge of general issues and procedural changes common to funds we do recommend in the same fund family.

## II. Voting Shares of Equities

- a. For individual equities we have directly recommended, we review the issues on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of Beaton Management in voting proxies is to maximize shareholder value.
- b. When clients request advice on proxy voting for shares of stock in their portfolios that Beaton Management has not recommended, we will review the material provided by the client and educate the client on the issues involved. It is the client's responsibility to understand the issues and to vote the shares.

## III. Records of Proxy Votes

- a. Beaton Management maintains all proxy vote history in a separate file. Clients may obtain, free of charge, a record of how Beaton Management voted proxy issues on their behalf by submitting a written request or calling us at 978.372.3008.

## IV. Conflicts of Interest

- a. Should a conflict of interest exist between Beaton Management and client(s) regarding the outcome of certain proxy votes, Beaton Management is committed to resolving the conflict in the best interest of clients before it votes the proxy in question. Beaton Management may take any of the following courses of action to resolve the conflict:
  - i. Disclose the conflict to clients and obtain consent before voting.
  - ii. Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to us to inform us of their desired vote. A copy of Beaton Management's proxy voting policy is available upon request.

# Financial Information

## Financial Condition

Beaton Management does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

# Business Continuity Plan

## General

Beaton Management has a Business Continuity Plan in place that provides steps to mitigate and recover from the loss of office space, communications, or services. Electronic files are backed up daily and archived on- and offsite. Alternate work locations are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

# Information Security Program

## Information Security

Beaton Management maintains an information security program to reduce the risk that personal and confidential information may be breached.

## Privacy Notice

Beaton Management is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us. The categories of nonpublic information that we collect from our clients may include information about personal finances, information about health to the extent that it is needed for the financial planning process, and information about transactions between clients and third parties. We use this information to help our clients meet their personal financial goals.

With our clients' permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom they have established a relationship. Clients may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With client permission, we share a limited amount of information with the client's brokerage firm in order to execute securities transactions on their behalf.

We do not provide personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our company records and personal records as permitted by law. Personally identifiable information will be maintained while still a client of Beaton Management and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

## Brochure Supplement (Part 2B of Form ADV)

### Supervised Persons

Terrence A. Beaton and Danielle L. Cameron

Beaton Management Company, Inc.  
150 Summer Street  
Haverhill, MA 01830  
978.372.3008

As of December 31, 2020

This brochure supplement provides information about Terrence A. Beaton and Danielle L. Cameron that supplements the Beaton Management Company, Inc. brochure. You should have received a copy of that brochure. Please contact Danielle L. Cameron, Client Service Manager, if you did not receive Beaton Management Company, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Terrence A. Beaton is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Education and Business Standards**

Beaton Management requires that any employee whose function involves determining or giving investment advice to clients must be a graduate of a four year college with a degree in business related courses.

## **Professional Certifications**

### **Chartered Financial Analyst**

The **Chartered Financial Analyst** (CFA) designation is an international professional certification offered by the CFA Institute (formerly AIMR) to financial analysts who complete a series of three examinations. To become a CFA Charterholder, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

The CFA is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance.

The curriculum for the CFA program is based on a Candidate Body of Knowledge established by CFA Institute and includes these topic areas:

- Ethical and Professional Standards
- Quantitative Methods (such as the time value of money and statistical inference)
- Economics
- Financial Reporting and Analysis
- Corporate Finance
- Investment Analysis (stocks, bonds, derivatives, venture capital, real estate, etc.)
- Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.)

**The Code of Ethics:** Members of CFA Institute (including charterholders and candidates for the CFA designation) must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on ourselves and the profession.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

**Terrence A. Beaton, CFA, President**

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Date of birth: June 19, 1961  
Residence: 2 Summer Sweet Lane  
West Newbury, MA 01985

Education:

- Babson College, Bachelor of Science, 1983
- Boston College, MBA, 1986

Designations: Charter Financial Analyst (CFA), 1991

Business Experience:  
Prior to joining Beaton Management in 1989, Terrence was an equity analyst in the investment department at American Mutual Insurance Company in Wakefield, Massachusetts from 1986 to 1989. Terrence also is a Director and a member of the Board of Investments at Pentucket Bank in Haverhill, Massachusetts. He is a member of the CFA Institute and the Boston Security Analysts Society.

Disciplinary Information: None

Other Community Activities:  
Terrence is a Trustee of the Pentucket Scholarship Foundation, President of the Northern Essex Community College Foundation, a member of the board of the YMCA of the North Shore, an Executive Committee member of the Greater Haverhill Foundation, the Vice-President of Pentucket Youth Basketball, and a member of the Haverhill Rotary Club.

**Danielle L. Cameron, Client Service Manager**

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Date of birth: April 30, 1976  
Residence: 12 Pleasant Street  
Merrimac, MA 01860

Education:

- Wheaton College, Bachelor of Science, 1998
- Clark University, MBA, 1999

Business Experience:  
Danielle has served as Client Service Manager for Beaton Management since 2005. Prior to joining Beaton Management, she worked for Fisher Scientific in both the Treasury and Payroll Departments (2000-2005).

Disciplinary Information: None