



Beacon Investment Management

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This brochure provides clients with information about Beacon Investment Management, Inc. and its programs that should be considered before becoming a client of Beacon Investment Management and its programs. This information has not been approved or verified by any governmental authority.

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RISK / RETURN SUMMARY

1. What is the investment objective of Beacon Investment Management?

Beacon seeks long-term growth of capital. There is no guarantee that Beacon will meet this objective.

2. What are the main investment strategies of Beacon Investment Management?

Beacon uses six model portfolios to invest in various combinations of common stocks and fixed assets selected in accordance with the client's specific risk objectives and those of the model. Equity holdings generally consist of fifteen to twenty companies, index and sector funds in each model.

Beacon may invest without limit in foreign equities as well. We employ a "bottom up" approach in choosing investments. In other words, we identify investment opportunities, using fundamental securities analysis. If the portfolio manager is unable to find investments with earnings or sales growth potential that meet our benchmarks, or if unfavorable equity or bond market conditions are expected to continue for a protracted period, a significant portion of the individual portfolio's assets may be cash or similar investments. Beacon attempts to own industry and category-leading companies in the most promising growth areas of the global economy.

3. What are the main risks of investing in Beacon Investment Management's equity portfolios?

The largest risk of investing with Beacon is that your returns may vary and you could lose money. If you are considering investing with Beacon, remember that its models are designed for investors with long-term investment horizons who can accept the risks associated with significant common stock holdings sometimes concentrated in industries that may not reflect the market as a whole. Common stocks can be more volatile than bonds or other investment choices. The value of the portfolio may decrease if the value of an individual stock in the portfolio decreases or if the stock market declines.

INVESTMENT ADVISORY SERVICES AND MINIMUM REQUIREMENTS

Beacon offers investment advisory services to clients, generally over \$100,000, but exceptions are made. Factors such as client intentions to add to their accounts in the future provide greater flexibility. Using models and custom portfolios Beacon manages all-equity, balanced (equity and fixed income), and all-bond portfolios for individuals, corporations, pension plans, profit sharing plans, and trusts. Portfolios are managed on a discretionary basis without contacting the client for prior approval. Investments may include exchange-listed and over-the-counter securities, ETFs, foreign issuers, warrants, United States Government securities, corporate debt issuers, certificates of deposit, municipal securities, mutual fund shares, index funds, and sector funds. Beacon employs a strategic allocation approach with exchange traded funds as the primary investment vehicles. In certain circumstances individual assets are employed. In such cases we use fundamental analytical methods to evaluate investment candidates with emphasis on such criteria as, but not limited to, revenue and earnings growth, financial structure and quality, strength of management, the company's investment in research and development, and its position

in the industry. ETF's have built-in tax advantages as they do not pass along unrealized tax gains. They have considerably lower expenses than mutual funds. And they allow for considerably longer holding periods as their volatility is considerably less than the individual stocks which comprise them.

THE INVESTMENT PROCESS

We begin our account relationship with an interview that facilitates our understanding of the significant financial life-goals of our client as well as his or her tolerance for risk. Once the necessary information is gathered we build a financial model of the client's life with software licensed from Wealthcare. By adjusting plan components such as savings, retirement spending, or risk according to our understanding of the client's priorities we work toward a recommendation that delivers the best balance we can accomplish between what the client ideally prefers versus what he might find acceptable. The software runs the model of our client's life 1,000 times through actual historical and statistically possible market conditions for the portfolio we recommend to them. The result is a probability or comfort level that the client will meet his or her goals. In the Wealthcare vernacular, the plan defines the 'Comfort Zone;' the place where the client's life and investing are in balance. Outside it are two conditions we help him or her avoid: uncertainty – asking too much of the markets; and sacrifice – making needless compromises in life. At this point we are ready to implement an investment plan that is tied to our client's life and designed to maximize gains while minimizing losses, taxes, and fees. Our process does not make a prediction of future markets, rather it better informs advisor recommendations and client decisions by identifying critical components in a client's plan.

We offer clients six strategically allocated model portfolios in our investment process which include Risk Adverse, Balanced Income, Balanced, Balanced Growth, Growth, and Aggressive Growth. The models are comprised primarily of Exchange Traded Funds representing major indexes, asset classes, (i.e. bonds, commodities, stocks) economic sectors, industries, international geographic regions, and countries. In addition to the models when circumstances warrant, we will tailor a custom portfolio to our client's needs.

Once a model is chosen, the manager invests client assets accordingly during the following several weeks or months, depending upon market conditions and the client's tax considerations. New accounts are individually monitored by the portfolio manager until they are fully invested according to their parameters. Once invested, accounts are re-balanced against their respective model portfolios on an ongoing basis. Significant additions or withdrawals of capital from the accounts require the buying and selling of securities necessary to re-balance the account.

The Wealthcare process promotes frequent contact with the client to facilitate discussion about any significant changes that may have taken place, whether market or client-centric. If model changes are suggested, the manager explains the process and notes any tax consequences that may occur.

Accounts may be allowed to fall below minimum levels after inception at the discretion of Beacon, however, Beacon reserves the right to end the advisory agreement with written notice to

the client should the client generate excessive activity in the account or should other factors in the client relationship interfere with the normal management operations of the portfolio.

PORTFOLIO MANAGER QUALIFICATIONS

Beacon Investment Management, Inc. requires that portfolio managers hold a bachelor’s degree and an advanced degree in business or finance, or comparable investment industry experience. Presently, Mr. Bass is the sole portfolio manager at Beacon Investment Management. **Samuel Q. Bass, Jr.** Mr. Bass is the president and founder of Beacon Investment Management. He is responsible for the selection of securities in Beacon’s model portfolios as well as the direct management of client portfolios. Born in 1953, Mr. Bass has twenty one years experience investing money for his clients. He holds a Bachelor of Arts degree in English Literature from Hampden-Sydney College, 1975 and a Masters of Business Administration from Wake Forest University, 1981.

While at Wake Forest, Mr. Bass concentrated in Finance and International Finance. Prior to organizing Beacon Investment Management, he was associated with Wheat First Union as a Registered Representative and a Certified Portfolio Manager for the years 1989 through April of 1998. Prior to that time, he was a Registered Representative with Carolina Securities from 1983 to 1989. Mr. Bass is active on several local philanthropic boards and investment committees.

WRAP FEE DISCUSSION AND SCHEDULE

Beacon offers two fee programs which charge client accounts on a quarterly basis, in advance of services. The “wrap” program covers both management costs and transactions. Alternatively, the fee plus commission program charges a lower fee plus commissions which are paid to the Custodian as transactions occur. Fees are a function of account and full relationship size as well as expected activity. Fees are calculated by multiplying one fourth of the annual fee as a percentage by the fair market value of the total assets in a client’s account at the end of each calendar quarter. The amount covers expenses for the following quarter. A fee invoice that includes the amount, its method of calculation, the value of the assets on which the fee is based, and a statement that it has been debited from the account is sent for each account quarterly. The individual fee amounts are sent to the Custodian to request debits from each client’s account at the beginning of each calendar quarter. In addition to Beacon’s invoice the Custodian sends to the client, at least quarterly, a statement that reflects the amount of fees debited from the account. The client authorizes the debit of fees from his account by Beacon on the Advisory Agreement and on the New Account Application. One of seven fee schedules is applied to an account during setup. Examples of our highest and lowest fee schedules are presented below.

Wrap Fee Schedule

Portfolio Value	Annual Rate	Portfolio Value	Annual Rate
First \$250,000	2.00%	First \$250,000	1.00%
Next \$750,000	2.00%	Next \$750,000	1.00%
Next \$1,000,000	1.75%	Next \$1,000,000	0.90%
Over \$2,000,000	1.00%	Over \$2,000,000	0.75%

Beacon's model programs may cost the client more or less than purchasing such services separately. All investment services provided for by Beacon Investment Management, Inc. are covered by the fees stated above. The wrap program covers Custodian transaction costs as well as Beacon management expenses, while the fee plus commission program covers only Beacon's management expenses. Commissions are charged for each transaction. Depending on the number and nature of transactions in the client's account one program may be less expensive for the client than the other.

Managed funds such as Mutual Funds and Exchanged Traded Funds charge fees in addition to those previously mentioned. These charges appear in the prospectuses provided by the funds. Neither Beacon nor the client pays these fees directly as they are drawn from the managed assets directly. They range from .15% to .75% in the ETFs we currently employ.

Beacon Investment Management may take referrals from a solicitor for which they have a solicitor agreement with. For accounts referred they will receive a percentage of the management fees received by Beacon. There will be no additional charge to the referred client for this agreement.

ACCOUNT TERMINATION POLICY

Accounts may be terminated immediately upon receipt of a written request by the client. The client is entitled to a refund of any unused fees based on the pro rata share of the remainder of the calendar quarter in which the account is terminated. There is no expiration date in Beacon's advisory agreements. Beacon reserves the right to terminate an account in cases of abuse or other conditions sufficiently beyond normal parameters.

REPORTS

Clients receive from Charles Schwab Institutional, the Custodian, confirmations for all purchases and sales as they occur, monthly statements which reflect the account's capital flows, transactions and other activity, and total market values. At year-end tax summaries (IRS Substitute Form 1099) are provided. If the client authorizes, Beacon mails gains information to the client's tax-preparer on a quarterly basis to facilitate accuracy on quarterly estimated tax payments. In February or early March we send a package that contains all the tax-preparer needs to complete taxes for each account held at Beacon.

Performance reports for each account are mailed to all clients at the end of each calendar quarter. Similar reports are available monthly on Beacon's web site at www.beaconinvest.com.

EXECUTION OF SERVICES

Under the "wrap program", Beacon Investment Management, Inc. acts as agent for the client with respect to all purchases and sales of securities executed through the Custodian. Beacon will not take a principal position in any client transaction. When determined appropriate, Beacon may aggregate, in a block, orders of the client with other such clients or with affiliates of Beacon. Such transactions may be made at slightly different prices, due to the volume of Securities purchased or sold. In such an event, the average price of all Securities purchased or sold in such transactions will be determined, and Client will be charged or credited, as the case may be, the

average transaction price. Beacon employees and related persons that have accounts with Beacon may participate in these block trades.

SUB-ADVISOR RELATIONSHIP

Beacon has contracted with Financeware Inc d/b/a Wealthcare Capital Management to make available their advisory services to select Beacon clients. Wealthcare, at the direction of Beacon, will select, trade, and monitor individual portfolios, designed by Wealthcare, on a discretionary basis for some Beacon clients and in addition will provide operational and administrative support commensurate with such advisory services, including, but not limited to development of a recommended Wealthcare plan for Beacon's clients, monitoring the status of those Wealthcare plans, and making revised recommendations to Beacon related to Beacon's clients Wealthcare plans consistent with client profiling information provided by Beacon to Wealthcare.

Wealthcare will provide services in a manner consistent with Client's investment objectives and Wealthcare plan, based on client profiling and Wealthcare's own obligations as a fiduciary.

Beacon shall appoint Wealthcare to supervise and direct the investment, reinvestment and asset class allocation target monitoring (and related trading to maintain relative securities holding weightings within acceptance tolerances determined by Wealthcare) of client's assets.

Wealthcare will make available to Beacon, to deliver to clients, a quarterly statement containing a description of all activity involving the client's assets during the previous quarter. Beacon will continue to bill clients and send quarterly performance reports. Beacon will also vote proxies, if that is the client's preference. Wealthcare will mail no less than annually their ADV Part II and current privacy policy.

Sub-Advisor fees are negotiated between Beacon and Wealthcare and will be billed to Beacon each quarter, in advance. The client's management fee paid to Beacon will not be raised due to this fee.

Should you have any questions regarding any information contained in this brochure, please contact Mr. Sam Q. Bass, President of Beacon Investment Management at 919-821-5225 or toll-free at 888-621-5885.

A complete Form ADV II is available upon request.