

Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of FOCUS FINANCIAL ADVISORS. If you have any questions about the contents of this brochure, please contact us at: 815-633-8844, or by email at: advisors@focusfinancialadvisors.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 FOCUS FINANCIAL ADVISORS is available on the SEC's website at www.adviserinfo.sec.gov

January 1, 2012

Item 2: Material Changes

Annual Update

Annual updates will be completed in March of each year in a timely manner. Pursuant to the SEC Rules, we will ensure that all of our current clients receive this Brochure, in its entirety, when material changes are made.

Material Changes since the Last Update

There have been no material changes since the last update.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 815-633-8844 or by email at: advisors@focusfinancialadvisors.com.

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Advisory Business

Firm Description

FOCUS FINANCIAL ADVISORS, INC. (FOCUS) was founded in 1984.

FOCUS provides personalized investment management, investment advice and financial planning services to individuals, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: identification of financial goals and objectives, gathering relevant details, analyzing the information to format a plan, recommend a financial plan, implement recommendation and monitor the plan.

FOCUS is strictly a fee-only financial planning and investment management firm. The firm does not sell commission based securities. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is an integral part of financial planning. In addition, FOCUS advises clients regarding cash flow analysis, education planning, retirement planning, tax planning, estate planning, insurance and risk management planning, charitable planning, business succession planning, stock option planning, analysis of employee benefits, and asset allocation.

FOCUS does not act as a custodian of client assets. The client always maintains asset control.

FOCUS places trades for clients under a limited power of attorney.

FOCUS typically conducts quarterly reviews as well as sends out quarterly reports to our clients.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Frederick E. Raffety is a 100% stockholder.

Types of Advisory Services

FOCUS provides investment supervisory services, also known as asset management services; reviews and assists with investment advisory accounts not involving investment supervisory services and furnishes investment advice through consultations.

On more than an occasional basis, FOCUS furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of 12/31/2011, FOCUS manages approximately \$106,281,741 in assets for approximately 139 clients. Approximately \$100,996,105 is managed on a discretionary basis, and \$5,285,636 is managed on a non-discretionary basis.

Tailored Relationships

FOCUS advisory services are tailored to the individual needs of clients. Clients' goals and objectives are clarified in meetings and via correspondence, and are used to determine the course of action for each individual client. The goals and objectives for each client are documented in our client relationship management system.

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. Agreements are not assigned without client consent.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning.

The financial plan may include, but is not limited to: a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations may be provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee range is \$500 to \$5,000 and is negotiable. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow-on implementation work is billed according to the agreement fees.

Investment Advisory Agreement

Most clients choose to have FOCUS manage their assets in order to obtain ongoing in-depth advice and life planning. We recommend that all aspects of the client's financial affairs be reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Investment Advisory Agreement is provided to the client in writing prior to the start of the relationship. An Investment Advisory Agreement may include: cash flow management; insurance review; investment management; tax planning; education planning; retirement planning; and estate planning, as well as the implementation of recommendations within each area.

The annual Investment Advisory Agreement fee is based on a percentage of the investable assets according to the following schedule:

| <u>Assets Under Management</u> | | <u>Annual Fee</u> |
|---------------------------------------|---------------|--------------------------|
| First | \$500,000 @ | 1.00% |
| Next | \$500,000 @ | 0.85% |
| Next | \$4,000,000 @ | 0.60% |
| Over | \$5,000,000 | Negotiated |

The minimum annual fee is \$200 and is negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Investment Advisory Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or FOCUS may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Retainer Agreement

In some circumstances, a Retainer Agreement is executed in lieu of an Investment Advisory Agreement when it is more appropriate to work on a fixed-fee basis. The annual fee for a Retainer Agreement is negotiable and generally ranges between \$500 and \$5,000.

Hourly Planning Engagements

FOCUS may occasionally provide hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements ranges from \$150 to \$250 per hour.

Asset Management

Assets are invested primarily in individual stocks, exchange traded funds (ETFs), insured certificates of deposit, low-load annuities, options contracts, interests in partnerships investing in real estate, individual treasury, corporate or municipal bonds, and no-load mutual funds. Custodians may charge a transaction fee for the purchase or sale of securities.

FOCUS does not receive any compensation, in any form, relating to the purchase or sale of specific investments.

Initial public offerings (IPOs) are not available through FOCUS.

Termination of Agreement

A client agreement may be cancelled at any time, by either party, for any reason upon receipt of a 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Fees and Compensation

Description

FOCUS generally bases its fees on a percentage of assets under management, hourly charges, or fixed fees

Some Retainer Agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

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

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable.

Fee Billing

Investment management fees are usually billed quarterly, either in advance or arrears. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Other Fees

All fees paid to FOCUS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, fees to cover administrative expenses, and 12b-1 fees. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Performance-Based Fees

FOCUS does not charge performance-based fee.

Types of Clients

Description

FOCUS generally provides investment advice to individuals, trusts, estates, or charitable organizations, corporations or business entities.

Account Minimums

FOCUS has no minimum account size.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, and technical analysis.

The main sources of information include Morningstar Principia, Ned Davis Research, Thomson Investment View, Charles Schwab & Co., Inc. Institutional Services, Fidelity Wealth Management and annual reports.

Other sources of information include traditional and on-line financial commentary, inspections of corporate activities, research materials prepared by others, corporate rating services, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Investment Strategies

The primary investment strategies we use for clients include a combination of strategic and tactical asset allocation. Portfolios are diversified across a variety of asset classes to reduce volatility and control risk.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

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

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Other Financial Industry Activities and Affiliations

Affiliations

FOCUS' owner Frederick E. Raffety is a shareholder of National Advisors Holdings, Inc. ("NAH"), a Delaware Corporation organized in August 1998.

He holds a minority interest in the outstanding stock of NAH. NAH has formed a federal trust company known as National Advisors Trust Company (NATC). NATC provides trust and custodial services to clients of investment advisory firms, such as FOCUS, across the USA.

Where appropriate, FOCUS and our employees may recommend custodial or trust services of NATC to our advisory clients. NATC and their employees may also recommend the advisory services of our firm to their clients. The services provided by NATC are separate and distinct from our advisory services. No FOCUS' client is obligated to use any of the services of NATC.

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

Code of Ethics

The employees of FOCUS have committed to a Code of Ethics and Fiduciary Oath as outlined by the National Association of Personal Financial Advisors (NAPFA). The key points are: putting the clients' interest first, objectivity, confidentiality, competence, fairness and suitability, integrity and honesty, regulatory compliance, full disclosure and professionalism. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

FOCUS and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the *FOCUS Compliance Manual*.

Personal Trading

The Chief Compliance Officer of FOCUS is Martha Whitman. She reviews all employee trades each quarter. Her trades are reviewed by Frederick Raffety. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

FOCUS does not have any affiliation with any custodial or product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. FOCUS recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

FOCUS recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab & Co., Inc., Fidelity Wealth Management and National Advisors Trust Company.

FOCUS does not receive fees or commissions from any of these arrangements.

Custodians do provide us the following; (a) receipt of client confirmation and statements; (b) trade execution; (c) research, pricing and market data; (d) facilitation of payments of our fees from client accounts; (e) access to information regarding practice management, compliance and financial planning; (f) assistance with back office functions, recordkeeping, and client reporting; (g) access to other third party vendors on a discounted fee basis with discounts arranged by the custodians; and (h) conferences which advisors and employees may attend to receive additional education on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance and information technology.

Clients make the final choice regarding their custodian.

Best Execution

FOCUS reviews the execution of trades at each custodian semi-annually. Trading fees charged by the custodians are also reviewed on a semi-annual basis. FOCUS does not receive any portion of the trading fees.

Soft Dollars

FOCUS received software maintenance interface at no charge from Charles Schwab & Company because some client assets are custodied at Schwab. This partially offsets annual maintenance fees for our portfolio management software. All clients benefit from this as it reduces the firm's overall expenses.

The selection of Charles Schwab & Co., Inc. as a custodian for clients is not affected by this nominal adjustment.

Order Aggregation

Most trades are mutual funds or ETFs where trade aggregation does not garner any client benefit. However, FOCUS will block trade where possible and when advantageous to the client. This type of trading permits an aggregate block of securities composed of the same assets for multiple clients so long as the transaction costs are shared equally and on a pro-rated basis between all accounts included in any block trading.

Review of Accounts

Periodic Reviews

Accounts are continually monitored and account reviews are performed at least quarterly by advisors Jon L. Aldrich, Principal or Frederick E. Raffety, President. Account reviews are performed more frequently when conditions dictate.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's personal situation.

Regular Reports

In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, FOCUS will provide quarterly reports summarizing account balances and holdings.

Client Referrals and Other Compensation

Incoming Referrals

FOCUS does not compensate referring parties for any referrals.

Referrals Out

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

Custody

Account Statements

All assets are held at qualified custodians who provide account statements directly to clients at their address of record at least quarterly.

It is not our practice to have custody of client accounts. However, we do have custody or access to two client accounts in which we are able to transfer, withdraw or move funds from a client's account to a third party. In both cases the client receives statements from the custodian on a monthly basis. It is also necessary for us to have an annual surprise audit by an independent third party to verify the accounts and that all statements agree.

Investment Reports

Clients are urged to compare the account statements received directly from their custodians to the quarterly report statements provided by FOCUS.

Investment Discretion

Discretionary Authority for Trading

FOCUS accepts discretionary authority to manage securities accounts on behalf of clients. FOCUS has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, FOCUS consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

FOCUS does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in client accounts so that we may promptly implement the investment policy. A limited power of attorney is obtained to provide discretionary authority for trading.

Voting Client Securities

Proxy Votes

FOCUS votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of FOCUS proxy voting policy is available upon request.

Financial Information

Financial Condition

FOCUS does not under any circumstances require or solicit payment of fees more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

FOCUS as an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. FOCUS has no additional financial circumstances to report.

FOCUS has not been the subject of a bankruptcy petition at any time.