

# Wrap Fee Brochure

March 29, 2012

## **LLBH Private Wealth Management, LLC**

*a Registered Investment Adviser*

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This wrap fee brochure provides information about the qualifications and business practices of LLBH Private Wealth Management, LLC (hereinafter "LLBH"). If you have any questions about the contents of this brochure, please contact James Pratt-Heaney at (203) 683-1530. 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 LLBH Private Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

LLBH Private Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since LLBH's last annual update dated March 31, 2011. LLBH does not have any material changes to disclose in this Item.

The firm has implemented a new fee schedule for its advisory clients. Certain legacy clients will be subject to the prior fee schedule. All details related to this change are set forth in Item 4 below.

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## Item 4. Services, Fees, and Compensation

The LLBH Private Wealth Management Wrap Fee Program (the “Program”) is an investment advisory program sponsored by LLBH. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

To join the Program, a client must:

- (1) Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation and any other supporting documentation the Program requires;
- (2) Complete the investment advisory wrap fee agreement (the “*Agreement*”) with LLBH;
- (3) Complete a new account agreement with Pershing, LLC through Pershing Investment Manager Services (“*Pershing*”), or another broker dealer LLBH approves for participation in the Program (collectively, “*Financial Institution(s)*”); and
- (5) Open a securities brokerage account with the *Financial Institution* and deposit those assets designated for participation in the Program into the account.

As discussed in Item 6, after an analysis of any information provided by the client to LLBH, LLBH assists the client in developing an appropriate investment strategy for the assets in their accounts. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with LLBH and to keep LLBH informed of any changes thereto. LLBH contacts ongoing clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to their investment strategy.

### Management of Your Portfolio

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All clients in the Program grant LLBH discretionary authority to buy, sell, and otherwise trade in certain eligible securities for their accounts and to liquidate previously-purchased securities that the client has transferred to their accounts. Assets are managed by one of LLBH’s investment adviser representatives.

### Fees for the Program

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Clients in the Program pay a single annualized fee for participation in the Program (the “*Program Fee*”). The *Program Fee* is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The *Program Fee* varies depending upon the market value of the assets under management, as follows:

## LLBH Private Wealth Management, LLC Wrap Fee Brochure

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
First \$1,000,000	1.25%
Next \$1,000,000	1.00%
Next \$3,000,000	0.85%
Next \$5,000,000	0.70%
Next \$40,000,000	0.65%
Next \$50,000,000	0.55%
Above \$100,000,000	Negotiable

Certain of the firm's pre-existing clients will be subject to a different fee schedule.

LLBH, in its sole discretion, may negotiate to charge a lesser *Program Fee* based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fee Comparison**

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Under the Program, clients receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the *Program Fee*. Participation in the Program may cost the client more or less than purchasing such services separately. The number of transactions made in the client's accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The *Program Fee* may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

### **Other Charges**

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Clients may incur certain charges imposed by third parties in addition to the *Program Fee* such as charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of services, the fees are calculated on a *pro rata* basis.

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The *Agreement* between LLBH and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. LLBH's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to LLBH's right to terminate an account. Additions may be in cash or securities provided that LLBH reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to LLBH, subject to the usual and customary securities settlement procedures. However, LLBH designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. LLBH may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that are equal to or greater than \$100,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

## Item 5. Account Requirements and Types of Clients

LLBH primarily provides its services to individuals. However, LLBH may also provide services to pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Fee

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As a condition for participating in the Program, LLBH generally imposes a minimum annual fee of \$40,000. LLBH, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

## Item 6. Portfolio Manager Selection and Evaluation

### Advisory Business

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LLBH has been in business since December 2009. Focus Operating, LLC is the principal owner of LLBH. Bill Loftus, Bill Lomas, Jim Pratt-Heaney and Kevin Burns are the principal managers of LLBH.

LLBH has \$732,881,655 of assets under management as of December 30, 2011. Of this total, \$732,296,563 of these assets are managed on a discretionary basis and \$585,092 are managed on a non-discretionary basis.

This wrap brochure describes the business of LLBH. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of LLBH's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on LLBH's behalf and is subject to LLBH's supervision or control.

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

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LLBH provides close consultation and consideration of its clients' goals and risk tolerance before reaching a mutual decision with the client on how best to seek to build and preserve their wealth. LLBH follows a rigorous and disciplined process and seeks to leverage high-quality investment products and providers to create a diversified portfolio aimed at meeting its clients' objectives.

Initially, LLBH conducts an in-depth planning process which takes into consideration, among other things, cash flow analysis, retirement, education, business planning, investments, insurance, and the tax needs of the client. LLBH does not have an "LLBH Portfolio," nor does it allocate assets based on market forecasts. Rather, LLBH conducts an extensive planning process which includes both qualitative and quantitative analysis of the client's current position and future goals.

In the firm's sole discretion and upon the completion of the planning process, LLBH may conduct a "stress test" of its recommended allocations using Monte Carlo Analysis. The firm will then construct portfolios using what it believes to be the best investments available. Pursuant to the Program, client assets are generally invested in mutual funds. In limited circumstances, LLBH may also utilize ETFs, private equity, structured products and hedge funds in accordance with the investment objectives of the client.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities



for a profit that cannot be offset by a corresponding loss. As such, a fund investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Performance-Based Fees and Side-By-Side Management**

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LLBH does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### **Voting Client Securities**

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LLBH is required to disclose if it accepts authority to vote client securities. LLBH does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### **Item 7. Client Information Provided to Portfolio Managers**

LLBH acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities. In those circumstances, the sponsor is required to disclose how and what type of information about client that it provides to portfolio managers. LLBH has no disclosures to make under this section.

## **Item 8. Client Contact with Portfolio Managers**

There are no restrictions on a clients' ability to contact and consult with LLBH.

## Item 9. Additional Information

### Disciplinary Information

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LLBH is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. LLBH does not have any required disclosures to this Item.

### Other Financial Industry Activities and Affiliations

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LLBH is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. LLBH has described such relationships and arrangements below.

#### *Focus Financial Partners, LLC Affiliation*

LLBH is controlled by Focus Financial Partners, LLC ("Focus"). Focus also controls other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial services firms (the "Focus Partners"). The Focus Partners provide wealth management, benefit and investment consulting services, serving primarily individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Forms ADV. LLBH's management does not feel that this relationship poses a material conflict to clients. The Focus Partners do not share client information amongst each other without prior consent, and management of the other Focus Partners is not involved in the services provided by LLBH. A list of the affiliated investment advisers and broker-dealers can be found on LLBH's Form ADV Part 1, and a list of all Focus affiliates will be provided upon request or can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

#### *Registered Representatives of Broker Dealer*

Clients can engage certain persons associated with LLBH (but not LLBH) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with LLBH. Under this arrangement, clients may implement securities transactions through certain of LLBH's *Supervised Persons* in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of LLBH's *Supervised Persons* s may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. LLBH may recommend no-load mutual funds.

A conflict of interest exists to the extent that LLBH recommends the purchase of securities where LLBH's *Supervised Persons* receive commissions or other additional compensation as a result of LLBH's recommendations. LLBH has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that LLBH, in its sole discretion deems appropriate), LLBH provides its investment advisory services on a fee-offset basis. In this scenario, LLBH may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by LLBH's *Supervised Persons* in their individual capacities as registered representatives of *PKS*.

### *Receipt of Insurance Commission*

Certain of LLBH's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that LLBH or its *Supervised Persons* recommend the purchase of insurance products where LLBH or its *Supervised Persons* receive insurance commissions or other additional compensation.

In addition to the services mentioned herein, certain of LLBH's *Supervised Persons* may recommend advisory clients to various duly licensed insurance agencies. The insurance agencies render these services independently of LLBH. Where LLBH refers a client to one of these agencies, and the client subsequently engages that firm, LLBH may receive a referral fee from that firm in consideration for the referral. A conflict of interest exists to the extent that LLBH recommends the services of these agencies where LLBH's *Supervised Persons* receive fees.

### **Code of Ethics**

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LLBH and persons associated with LLBH ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with LLBH's policies and procedures.

LLBH has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by LLBH or any of its associated persons. The *Code of Ethics* also requires that certain of LLBH's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in LLBH's *Code of Ethics*, none of LLBH's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of LLBH's clients.

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When LLBH is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when LLBH is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact LLBH to request a copy of its *Code of Ethics*.

### Review of Accounts

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LLBH monitors participant portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of LLBH's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with LLBH and to keep LLBH informed of any changes thereto. LLBH contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Participants will also receive a report from LLBH that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a periodic basis. Clients should compare the account statements they receive from their custodian with those they receive from LLBH.

### Client Referrals

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LLBH may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed herein. LLBH does not provide direct or indirect compensation to any third-party for client referrals.

LLBH may receive from *Pershing*, without cost to LLBH, computer software and related systems support, which allow LLBH to better monitor client accounts maintained at *Pershing*. LLBH may receive the software and related support without cost because LLBH renders investment management services to clients that maintain assets at *Pershing*. The software and related systems support may benefit LLBH, but not its clients directly. In fulfilling its duties to its clients, LLBH endeavors at all times to put the interests of its clients first. Clients should be aware, however, that LLBH's receipt of economic benefits

from a broker-dealer creates a conflict of interest since these benefits may influence LLBH's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, LLBH may receive the following benefits from *Pershing* through its Pershing Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Pershing Advisor Solutions participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

LLBH may also receive other economic benefits in the form of educational conferences and meetings and related materials sponsored by various mutual funds, insurance and annuity companies and other vendors. LLBH may also receive monetary support for technological, marketing and advertising needs from these entities which may be used towards LLBH's own client events. Clients are advised that a conflict of interest exists to the extent LLBH recommends products of these mutual fund families, insurance annuity companies or other vendors. However, the client is under no obligation to purchase these products, and LLBH shall not receive any other form of compensation from the mutual fund families, annuity companies or vendors for these events other than as set forth herein.

### **Financial Information**

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LLBH does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, LLBH is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. LLBH has no disclosures pursuant to this Item.

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