

Disclosure Brochure

March 28, 2013

LLBH PRIVATE WEALTH MANAGEMENT, LLC

a Registered Investment Adviser

Riverside Plaza, 33 Riverside Ave.
Westport, CT 06880

(203) 683-1530

www.LLBHPrivateWealthManagement.com
www.LLBHPWM.com

This 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.

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

In this Item, LLBH is required to discuss any material changes that have been made to the brochure since the Firm's last annual update filed March 30, 2012. While minor revisions have been made to certain sections of the brochure, there are such material changes to disclose in relation to this Item.

Item 3. Table of Contents

Item 1.	Cover Page	i
Item 2.	Material Changes	ii
Item 3.	Table of Contents	iii
Item 4.	Advisory Business	4
Item 5.	Fees and Compensation	7
Item 6.	Performance-Based Fees and Side-by-Side Management	11
Item 7.	Types of Clients.....	12
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9.	Disciplinary Information.....	16
Item 10.	Other Financial Industry Activities and Affiliations	17
Item 11.	Code of Ethics	18
Item 12.	Brokerage Practices	19
Item 13.	Review of Accounts.....	22
Item 14.	Client Referrals and Other Compensation	23
Item 15.	Custody	24
Item 16.	Investment Discretion.....	25
Item 17.	Voting Client Securities	26
Item 18.	Financial Information	27

Item 4. Advisory Business

LLBH provides financial planning, consulting, and investment management services to its clients. 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.

LLBH is results focused. The firm's goal-based investment planning process is designed to deal with significant events in its clients' lives and in the external environment. As conditions change, LLBH will implement mid-course corrections with the goal of keeping its clients on-track.

Prior to engaging LLBH to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with LLBH setting forth the terms and conditions under which LLBH renders its services (collectively the "*Agreement*").

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.

As of December 31, 2012, LLBH has approximately \$890 million in assets under management, all of which was managed on a discretionary basis.

This disclosure 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.

Financial Planning and Consulting Services

LLBH may provide its clients with a broad range of comprehensive financial planning and consulting services. These services may include cash flow analysis, retirement, education, business planning, investments, insurance, and tax needs of the client. Additionally, through financial institutions, LLBH may provide margin loans, collateralized loans against a client's holdings and access to residential mortgages. The firm's financial planning and consulting services may be included as part of LLBH's overall investment management services (described below).

In performing its services, LLBH is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. LLBH may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if LLBH recommends its own services. The client is under no obligation to act upon any of the recommendations made by LLBH under a financial planning or consulting engagement or to engage the services of any such recommended

LLBH Private Wealth Management, LLC Disclosure Brochure

professional, including LLBH itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of LLBH's recommendations. Clients are advised that it remains their responsibility to promptly notify LLBH if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising LLBH's previous recommendations and/or services.

Investment Management Services

As detailed in Item 8, LLBH provides investment management services to its clients. LLBH allocates a majority of client investment management assets among *Independent Managers* (as defined below). LLBH also allocates a small portion of client assets to the LLBH Private Wealth Management Wrap Fee Program (the "*Wrap Program*"), a wrap fee program. A complete description of the *Wrap Program's* terms and conditions (including fees) are contained in the *Wrap Program's* wrap fee brochure.

Use of Independent Managers

As mentioned above, LLBH recommends that most clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between LLBH or the client and the designated *Independent Managers*. LLBH generally renders services to the client relative to the discretionary selection of *Independent Managers*. LLBH also monitors and reviews the account performance and the client's investment objectives. LLBH receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, LLBH reviews information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that LLBH considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, LLBH's investment advisory fee.

In addition to LLBH's written disclosure statement, the client also receives the written disclosure statement of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than LLBH. In such instances, LLBH may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

LLBH Private Wealth Management, LLC Disclosure Brochure

LLBH tailors its advisory services to the individual needs of clients. As described in detail in Item 8 below, LLBH consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. LLBH ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify LLBH if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon LLBH's management services.

Item 5. Fees and Compensation

LLBH offers its services on a fee basis, which may include fixed fees as well as fees based upon assets under management. Additionally, certain of LLBH's *Supervised Persons* may offer securities brokerage services and insurance products under a commission arrangement.

Financial Planning and Consulting Fees

LLBH may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$5,000 to \$100,000 on a fixed fee basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages LLBH for additional investment advisory services, LLBH may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. Prior to engaging LLBH to provide financial planning and/or consulting services, the client is required to enter into a written agreement with LLBH setting forth the terms and conditions of the engagement. Generally, LLBH requires one-half of the financial planning and/or consulting fee (estimated fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

Investment Management Fee

LLBH generally provides investment management services utilizing *Independent Managers* for an annual fee based upon a percentage of the market value of the assets being managed by LLBH. In this circumstance, LLBH's annual fee is exclusive of, and in addition to the *Independent Manager* fee, brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. LLBH does not, however, receive any portion of these commissions, fees, and costs. LLBH's annual 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 annual fee varies depending upon the market value of the assets under management, as follows:

<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 Private Wealth Management, LLC Disclosure Brochure

LLBH, in its sole discretion, may negotiate to charge a lesser management 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.).

Wrap Program Fees

As stated in Item 4, LLBH also allocates a small portion of client assets through its own *Wrap Program*. Pursuant to the *Wrap Program*, LLBH provides investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Wrap Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Wrap Program's* terms and conditions (including fees) are contained in the *Wrap Program's* wrap fee brochure.

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), LLBH generally recommends that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Investment Manager Services ("*Pershing*") for investment management accounts.

LLBH may only implement its investment management recommendations after the client has arranged for and furnished LLBH with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Pershing*, any other broker-dealer recommended by LLBH, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or exchanged-traded fund ("ETF") in the account, which are 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to LLBH's fee.

LLBH's *Agreement* and the separate agreement with any *Financial Institutions* may authorize LLBH or *Independent Managers* to debit the client's account for the amount of LLBH's fee and to directly remit that management fee to LLBH or the *Independent Managers*. Any *Financial Institutions* recommended by LLBH have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to LLBH. Alternatively, clients may elect to have LLBH send an invoice for payment.

Fees for Management During Partial Quarters of Service

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

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.

Commissions or Sales Charges for Recommendations of Securities

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* 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.

LLBH Private Wealth Management, LLC Disclosure Brochure

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*.

Item 6. Performance-Based Fees and Side-by-Side Management

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.

Item 7. 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

As a condition for starting and maintaining a relationship, 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 pre-existing client, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, account retention, and *pro bono* activities.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than LLBH. In such instances, LLBH may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis & Investment Strategies

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. Generally, LLBH believes using *Independent Managers* is the most effective strategy for managing client assets. In these cases, LLBH has discretionary authority to select the *Independent Managers*, and then monitors and reviews the client's account performance and investment objectives. When selecting an *Independent Manager* for a client, LLBH reviews information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that LLBH considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

LLBH also allocates a small portion of client assets to its *Wrap Program*. Pursuant to the *Wrap 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. A complete description of the *Wrap Program's* terms and conditions (including fees) are contained in the *Wrap Program's* wrap fee brochure.

Risks of Loss

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.

Use of Independent Managers

For clients outside of the *Wrap Program*, LLBH generally recommends the use of *Independent Managers*. LLBH will continue to do ongoing due diligence of such managers, but the such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, LLBH does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as set forth in Item 4, above.

Use of Private Collective Investment Vehicles

LLBH may recommend the investment by certain clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

General Risk of Loss

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

Item 9. Disciplinary Information

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.

Item 10. Other Financial Industry Activities and Affiliations

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.

Registered Representatives of Broker Dealer

As discussed above in Item 5, certain of LLBH's *Supervised Persons* are 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.

Dual Investment Adviser Representative

One of LLBH's *Supervised Persons* is also an investment adviser representative of *Chronogram Corporation*, an SEC registered investment adviser. However, advisory services are not rendered through *Chronogram Corporation* to LLBH's advisory clients and advisory services rendered through *Chronogram Corporation* are only rendered to legacy clients; as such, LLBH does not believe this will pose any conflict of interest.

Item 11. Code of Ethics

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.

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*.

Item 12. Brokerage Practices

As discussed above, in Item 5, LLBH generally recommends that clients utilize the brokerage and clearing services of *Pershing*.

Factors which LLBH considers in recommending *Pershing* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Pershing* enables LLBH to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Pershing* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by LLBH's clients comply with LLBH's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where LLBH determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. LLBH seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom LLBH and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. LLBH periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct LLBH in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and LLBH will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by LLBH (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, LLBH may decline a client's request to direct brokerage if, in LLBH's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless LLBH decides to purchase or sell the same securities for several clients at approximately the same time. LLBH may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among LLBH's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among LLBH's

clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that LLBH determines to aggregate client orders for the purchase or sale of securities, including securities in which LLBH's *Supervised Persons* may invest, LLBH generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. LLBH does not receive any additional compensation or remuneration as a result of the aggregation. In the event that LLBH determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, LLBH may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist LLBH in its investment decision-making process. Such research generally will be used to service all of LLBH's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because LLBH does not have to produce or pay for the products or services.

Commissions or Sales Charges for Recommendations of Securities

As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of *PKS*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *PKS* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *PKS* unless they first secure written consent from *PKS* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *PKS*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *PKS* under *PKS*' internal supervisory policies. LLBH is cognizant of

its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Software and Support Provided by Financial Institutions

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.

Item 13. Review of Accounts

For those clients to whom LLBH provides investment management services, LLBH monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom LLBH provides financial planning and/or consulting services, reviews are conducted on an “as needed” 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. Those clients to whom LLBH provides investment advisory services 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.

Those clients to whom LLBH provides financial planning and/or consulting services will receive reports from LLBH summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by LLBH.

Item 14. Client Referrals and Other Compensation

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 in response to Item 12, above. Moreover, LLBH does not provide direct or indirect compensation to any third-party for client referrals.

Item 15. Custody

LLBH's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize LLBH through such *Financial Institution* to debit the client's account for the amount of LLBH's fee and to directly remit that management fee to LLBH in accordance with applicable custody rules.

The *Financial Institutions* recommended by LLBH have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to LLBH. In addition, as discussed in Item 13, LLBH also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from LLBH.

Item 16. Investment Discretion

LLBH is generally given the authority to exercise discretion on behalf of clients. LLBH is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. LLBH is given this authority through a power-of-attorney included in the agreement between LLBH and the client. Clients may request a limitation on this authority (such as requesting that certain securities not to be bought or sold). LLBH takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

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 18. Financial Information

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.

LLBH PRIVATE WEALTH MANAGEMENT, LLC

a Registered Investment Adviser

Riverside Plaza, 33 Riverside Ave.
Westport, CT 06880

(203) 683-1530

www.LLBHPrivateWealthManagement.com
www.LLBHPWM.com

Prepared by:



MARKET COUNSEL®
The Adviser's Advisor®