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**FORM ADV PART 2A, APPENDIX 1**

**RATIONAL INVESTING WRAP FEE PROGRAM BROCHURE**

**March 28, 2011**

*This wrap fee program brochure provides information about the qualifications and business practices of Focus Capital Wealth Management. If you have any questions about the contents of this brochure, please contact us at 603-647-5400 and/or [clientservices@focus-capital.com](mailto:clientservices@focus-capital.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 Capital Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

*Focus Capital is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.*

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### **Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission (SEC) published “Amendments to Form ADV” which amends the disclosure document that all advisors give to clients as required by SEC Rules. This Brochure is a new document prepared according to the SEC’s new requirements and rules. Therefore, this Document is materially different in structure and requires certain new information that our previous brochure did not require. In the future, we will discuss only specific material changes that are made to the Brochure and give you a summary of those changes. We will also reference the date of our last annual update.

## **SERVICES, FEES AND COMPENSATION**

We sponsor and manage the Focus Capital Wrap-Fee Program (hereinafter the “Program”). The program offers continuous advice and management on portfolios, based on your individual needs for an all-inclusive fee. At the time of your investment, we’ll help you figure out your current financial situation, goals and objectives, and the amount of risk you are willing to accept. This helps us review your situation and decide on the right asset allocation. We then invest your account in a manner consistent with according to your stated objective (i.e., aggressive, moderately aggressive, moderate, moderately conservative, or conservative), and our view of the level of risk present in the market. We allow for reasonable restrictions on the types of investments we make for you, and you keep individual ownership of all securities.

You’ll receive account statements and confirmations of transactions directly from your account custodian. You may also request a performance report. We calculate all performance information under the AIMR (Association for Investment Management and Research) guidelines.

When considering this program, you should be aware that it can cost more or less than purchasing the actual services separately from other advisers or broker-dealers.

For this service, we charge an annual “wrap-fee,” billed in the following ways:

- Quarterly, in advance, as a percentage of assets under management.
- As a performance-based fee, see below for how that fee is calculated.

The fee includes all advisory and brokerage commission costs. It does not include custodial fees, exchange fees, transfer taxes or certain administrative fees for wire transfers or certificate issues. If agreed-upon at the time of the contract, we’ll pay margin interest charges created by discretionary trading in accounts with a minimum balance of \$500,000, and total family assets under management greater than \$2M. All of our fees are negotiable under certain circumstances.

### **Percentage Of Assets Under Management**

If we bill your wrap fee solely as a percentage of assets under management, then we bill according to the standard fee schedule below. In certain circumstances, all of our fees are negotiable.

<u>Assets under management</u>	<u>Annual Fee (%)</u>
First \$250,000	2.50%
Next \$250,000	2.00%
Next \$500,000	1.75%
Next \$1,000,000	1.20%
Next \$3,000,000	0.95%
Next \$5,000,000	0.85%
Assets over \$10,000,000	0.75%

## **Performance Based Fees**

This fee schedule is based on the increase in value of your account. The amount is figured out by measuring the values at the start of the year (or inception if it's the first year) and the highest account value recorded at any year-end (what we call the high-water mark). If the value of your account at year-end is less than the high-water mark, we figure the difference and it must be recouped before we can collect the performance-based fee.

This fee is calculated individually, but it's typically 20% of the account's performance above the high-water mark. We'll explain these fees to you before you enter this kind of agreement. We typically charge these fees annually, along with a management fee. When joined with a performance-based fee, our management fee is typically 1.00%, billed quarterly in advance.

For this fee schedule you must have either a net worth of at least \$1.5M or have at least \$750,000 under management immediately after entering into our agreement. If you end your contract, we charge a fee based on the performance of the account for the period between the end date and the date we last assessed the fee. In calculating these fees, we base the value of the assets on fair market value, as reported by your custodian. We also take into account additions and subtractions made by you during that period.

This fee arrangement can create an incentive to recommend investments that can be riskier or more speculative than we may recommend under a different fee arrangement. It also can create an incentive for us to manage your account more actively toward year-end, particularly when the fee is not joined with a quarterly management fee.

You must understand the performance-based fee method of compensation and its risks before you enter into the contract. These fees are charged in accordance with SEC and/or state regulations. They are not charged to any client residing in a state where these fees are prohibited.

In addition, the amount of compensation we receive for the Rational Investing Wrap Fee Program can be more than we would receive if you paid separately for investment advice, brokerage and other services. This creates a financial incentive to recommend the Program over other programs or services, but no employee receives extra compensation if you take part.

The factors you should consider when deciding to join include the size of your portfolio, the nature of the investments we will manage, commission costs, custodial expenses, the expected amount of trading and the advisory fees for managing your portfolio. Estimating the amount of advisory fees can be difficult or impossible to estimate should you choose a performance-based fee arrangement.

## ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

We offer these services individuals, pension and profit-sharing plans, trusts, estates or charitable organizations, as well as corporations and business entities.

We require a minimum account of \$250,000 for Portfolio Management Services & our wrap fee program. Sometimes we group related client accounts for the purposes of achieving the minimum account size. These minimums are negotiable under certain circumstances.

## PORTFOLIO MANAGER SELECTION AND EVALUATION

When we select our portfolio managers, we base it on an assessment of their investment and operational capabilities and experiences. We select managers that possess an acceptable level of skill. We may analyze them relative to certain asset classes, market capitalization, sectors, and/or industries. This selection and monitoring is done through a formal Investment Committee, which conducts a review and analysis of each prospective manager.

We calculate performance information under the AIMR (Association for Investment Management and Research) guidelines. It is reviewed by your rep for accuracy before being presented.

We may make different recommendations and effect different trades concerning the same securities to different clients in the various programs.

### **Methods of Analysis for Focus Capital Managers**

We use several methods of analysis. One is charting, which involves detailed technical analysis of historical and performance data, and identifying price patterns and market & industry trends.

We may also use fundamental analysis, which involves examining company earnings, dividends, new products, and research.

Investment instruments we may use:

- Mutual funds
- Options (the right to buy or sell at a set price for a set time)
- Futures (the seller must give an asset at an agreed-upon date)
- Commodities (objects from the earth, like wheat, cattle, gold and oil)
- Exchange traded funds (ETFs)
- Other available investment products

We also may use leverage on some of the above investments. Sometimes we recommend the use of margin transactions as an investment strategy, which may involve buying securities with borrowed money. Furthermore, some of the above investments themselves may use leverage as an investment strategy.

We may use any of the following factors when selecting mutual funds:

- Performance history
- Industry sector they invest in
- Track record of the fund's manager
- Management style and philosophy
- Fee structure
- Investment objective

The sources of the information we use may include SEC filings, Standard & Poor's publications and Morningstar reports.

Initially, we figure out the percentage of your portfolio that each fund will occupy based on your individual needs. Then based on changing market conditions, we adjust these initial allocations as we deem appropriate (if we have written discretionary authorization or with your consent if we do not).

All strategies involve certain degrees of risk, and we only recommend what is consistent with the risk you are willing to accept. Frequent trading, when done, can affect performance, particularly through increased transaction costs.

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The sources of the information we use include SEC filings, Standard & Poor's publications and Morningstar publications.

All strategies involve certain degrees of risk, and we only recommend what is consistent with the risk you are willing to accept. Frequent trading, when done, can affect performance, particularly through increased transaction costs.

Most people who own stock aren't able to attend the annual meetings of the companies they are investing in. Instead they participate by way of a proxy vote. The ballots vary by meeting, but some of the most common items listed on the ballots are nominees for the board of directors, issuance of new shares, request for authorization to split a stock or approval for a proposed merger. We do not vote client securities, you retain the privilege of voting your shares.

## ***CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS***

Any information about you that is shared with portfolio managers remains confidential and will not be disclosed to any third parties, except as agreed to in writing or required by law.

## ***CLIENT CONTACT WITH PORTFOLIO MANAGERS***

You can always reach the professionals managing your account by contacting our main office.

## ***ADDITIONAL INFORMATION***

### **Disciplinary Information**

None

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

None

## **Code of Ethics**

We've adopted a Code of Ethics that sets forth high standards of ethical business conduct required of our employees. It includes policies and procedures our COO, Nicholas B. Rowe, uses in regular reviews of employee's initial and annual securities holdings reports. Among other things, it requires the prior approval of any acquisition of securities in a limited offering (where a security is only being sold to a select group of investors) or an initial public offering. It also includes oversight, enforcement and record-keeping requirements. A copy is available at our office.

## **Participation or Interest in *Client* Transactions and Personal Trading**

Sometimes we buy or sell the same securities for our personal accounts that we recommend to clients. No employee will buy or sell any security before a transaction is done for a client. This prevents any benefit from transactions placed on behalf of clients.

We also may have an interest or position in a certain security that we recommend to a client.

As these situations can present a conflict of interest, we have set-up the following restrictions to ensure our fiduciary duties:

- No employee will ever buy or sell securities for their own accounts if they made the decision based on something to do with their employment unless the information is easily accessible by the public. They will never put their own interests before our clients'.
- All employees must act in accordance with applicable federal and/or state regulations governing registered investment advisory practices.

Any employee who does not abide by the above will be subject to termination.

## **Review of Accounts**

While we regularly monitor the underlying securities within Program accounts, we formally review your accounts quarterly. We conduct the review to decide if the holdings are consistent with the your objectives. Material changes in individual circumstances, variance from the model portfolio weighting or the market, political or economic environment may trigger more frequent reviews.

## **Client Referrals and Other Compensation**

It's common for broker-dealers to offer technologies and services to non-affiliated advisory firms, including:

- Software
- Pricing information & market data
- Research materials
- Facilitating payment of advisor fees
- Assisting with record-keeping & client reporting
- Training, which can entail their payment of travel expenses

We're not affiliated with a broker-dealer, and we accept this help, recognizing that if we won't incur these expenses, we won't have to bill clients for them.

We may compensate for client referrals. We observe all federal and/or state regulations associated with this, make appropriate disclosure and maintain all documents.

**Financial Information**

Because we do not receive fees more than six months in advance, we are not required to report financial information at this time.

<b>REQUIREMENTS FOR STATE-REGISTERED ADVISERS</b>
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N/A