

44 State Rte 23 North – Ste. 11
Riverdale, NJ 07457

Phone: 973-557-2933
Fax: 973-858-0201
www.highlandplanning.com

1. Cover Page

Our Firm Brochure

August 23, 2011

This brochure provides information about the qualifications and business practices of HIGHLAND Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 973-557-2933 or michael@highlandplanning.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 HIGHLAND Financial Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration as a Registered Investment Advisor does not imply a certain level of skill or training.

2. SUMMARY OF MATERIAL CHANGES

Our firm brochure is substantially modified from its prior version, and contains new information for the benefit of our clients. In this “Summary of Material Changes” we discuss only the material changes since the last annual update of this brochure on January 25, 2011:

- 1) Change in Wealth Management Fee Description** – On page 8 under Item 4, Advisory Business, we changed the description of the Net Worth used to calculate the fees for providing the Wealth Management services. The new description is more explicit including, assets not considered and assets to be considered in the calculation. The new description reads:

“(1) Net Worth excludes personal property, primary and secondary residences, closely-held business interest, and up to 90% of any real estate investments. Net Worth includes Managed Assets, and any assets under advisement or that we consult on with respect to your Wealth Management services.”

We also changed the description of the terms of the fee to reflect our new Wealth Management agreement. The fee is a level fee for two years and will be adjusted at the end of two years based on the value of the investable net worth on the second anniversary and each bi-annual anniversary thereafter. The new description reads:

“Retainer fees are level for two years and are based on the net worth at the time of the engagement. Fees will be adjusted at the end of two years and every two years thereafter (based on the net worth of Client at the end of each of the two year period). Fees are due quarterly in advance and a pro-rata refund will be paid to Client if canceled within any quarter. This quarterly retainer is cancellable anytime without restriction.”

3. TABLE OF CONTENTS

	<u>Page</u>
Item 1: Cover Page	1
Item 2: Summary of Material Changes	2
Item 3: Table of Contents	3
Summary: About Highland Financial Advisors, LLC	4
Item 4: Advisory Business	5
Item 5: Fees and Compensation	10
Item 6: Performance-Based Fees and Side-By-Side Management	12
Item 7: Types of Clients	12
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9: Disciplinary Information	18
Item 10: Other Financial Industry Activities and Affiliations	18
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	19
Item 12: Brokerage Practices	22
Item 13: Review of Accounts	25
Item 14: Client Referrals and Other Compensation	25
Item 15: Custody	25
Item 16: Investment Discretion	26
Item 17: Voting Client Securities	26
Item 18: Financial Information	26
Item 19: Requirements for State-Registered Advisers	26
Privacy Notice	27
Brochure Supplement – Reed C. Fraasa	28
Brochure Supplement – Michael D. Gibney	31

SUMMARY: ABOUT HIGHLAND FINANCIAL ADVISORS, LLC

HIGHLAND Financial Advisors, LLC began operations in October of 1996.

HIGHLAND Financial Advisors, LLC provides wealth management and investment advisory services to select individual clients, as well as trusts, endowments, qualified retirement plan sponsors, and business entities. We currently manage \$125,000,000 in client assets. We also provide design, consulting, and third-party administration of qualified retirement plans for businesses.

We utilize a team approach to addressing clients' financial, tax, estate, and risk management planning needs. All advice is delivered by CERTIFIED FINANCIAL PLANNERTM advisors. With the consent of our clients, we often consult with our clients' other professional advisors as planning recommendations are formulated and/or implemented.

HIGHLAND Financial Advisors, LLC is a fee-only firm. We offer two types of advisory services, Wealth Management and Investment Advisory. Wealth Management is a comprehensive financial planning and investment management service for individuals and families and is billed on an annual retainer based on net worth. Investment Advisory is an institutional investment management service for qualified retirement plans, endowment funds and trust accounts and is billed as a percentage of assets under management.

Our investment strategy is based upon leading academic research and the results of our own analyses. Modern portfolio theory, as recognized by the 1990 Nobel Prize in Economics, will be the philosophical foundation for how the portfolio will be structured and how subsequent decisions will be made. Investment Policy design with globally diversified allocations, implementation, asset location, continuous monitoring, rebalancing, and, as necessary, modification, are integral parts of our investment strategy. All members of the firm are committed to its consistent implementation.

HIGHLAND Financial Advisors, LLC generally recommends institutional-class mutual funds and exchange traded funds with low annual expense ratios, and extremely low internal transaction costs. We actively seek to avoid, or at least minimize, conflicts of interest which may exist between our firm and our clients. We sell no products. We accept no commissions. We do not accept 12b-1 fees. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, HIGHLAND Financial Advisors, LLC has adopted policies which seek to keep our clients' best interests paramount at all times. This brochure explores in further detail how we act to keep our clients' best interests a priority at all times during the course of relationship with our clients.

More information regarding our firm is found in the pages that follow. Additional information about HIGHLAND Financial Advisors, LLC can be found at www.highlandplanning.com.

4. ADVISORY BUSINESS

Our Firm's History

HIGHLAND Financial Advisors, LLC was established on October 8, 1996 as Tyras, Fraasa & Associates, LLC. On April 13, 2005, after the retirement of Paul F. Tyras, the name was changed to HIGHLAND Financial Advisors, LLC.

From 1996 to 2005 HIGHLAND Financial Advisors, LLC was located in Paramus, New Jersey. From 2005 to the present HIGHLAND Financial Advisors, LLC has been located at 44 State Rte 23 North, Riverdale, NJ.

HIGHLAND Financial Advisors, LLC is a Registered Investment Adviser with the Securities and Exchange Commission under the Investment Advisers Act of 1940 providing comprehensive, fee-only financial planning and investment advisory services to individuals, families, pension and profit sharing plans, and business entities. Our typical client is a corporate executive, professional, business owner, or retiree and desires total wealth management, not just investment management. About one third of our clients are retirement plans, endowments, or trusts seeking investment management only.

HIGHLAND Financial Advisors, LLC also provides Third Party Administrator and Investment Advisory services in the design and management of qualified retirement plans for businesses. Approximately 15% of the firm's time is spent in this area.

HIGHLAND Financial Advisors, LLC and/or its associates are licensed to advise on insurance products in the State of New Jersey. Although we do not sell insurance or receive commissions or fees for referring insurance to brokers, our interpretation of the New Jersey State Insurance Producers law indicates that, as advisers on matters including insurance, we are required to have a license.

HIGHLAND Financial Advisors, LLC furnishes investment advice through consultations. Through client-specific financial analysis, investment research and holistic financial life planning, HIGHLAND Financial Advisors, LLC helps our clients realize their life goals. Our advisors are all CERTIFIED FINANCIAL PLANNERTM professionals and deliver advice in a manner that is both confidential and consistent with client needs. HIGHLAND Financial Advisors, LLC also furnishes advice to clients on matters not involving securities.

Our Principal Owners

Reed C. Fraasa is the principal owner of HIGHLAND Financial Advisors, LLC.

Amount of Assets Under Advisement

As of January 25, 2011, the amount of client assets managed by HIGHLAND Financial Advisors, LLC on a discretionary basis is \$125,000,000 and the amount of client assets managed by HIGHLAND Financial Advisors, LLC on a non-discretionary basis is -0-.

August 23, 2011 – Firm Brochure

Non-Participation in Wrap Fee Programs

HIGHLAND Financial Advisors, LLC does not participate in any Wrap Fee Programs. A wrap fee program is a program under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client's account.

Types of Investments upon Which Advice is Provided

HIGHLAND Financial Advisors, LLC offers advice on the following:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- Exchange Traded Funds
- United States government securities
- Interests in partnerships investing in real estate

Advisory Services Offered

HIGHLAND Financial Advisors, LLC offers two distinct services.

Wealth Management is provided to individuals and families.

Investment Advisory services are typically provided to qualified retirement plans, endowments, and trusts.

WEALTH MANAGEMENT SERVICES

Wealth management is provided to individuals and families. Wealth management integrates a comprehensive scope of goals-based financial life planning and management of investment assets, which includes:

- Discover and help to prioritize client's short and long-term goals and aspirations.
- Identify life transitions that client is and expects to be experiencing.
- Gather and organize client's data and documents.
- Analyze client's financial condition and obstacles as they relate to the goals.
- Evaluate likelihood of meeting stated goals, based on your assets, liabilities, objectives, and relevant economic assumptions
- Develop investment policy statement
- Implement investment policy
- Manage, monitor, and report monthly on investment portfolio
- Tax loss harvesting (when applicable)

August 23, 2011 – Firm Brochure

- Help client with the financial implications of life transitions.
- Provide written recommendations and alternatives to help client achieve goals.
- Help to implement financial decisions.
- Income planning and debt management
- Asset protection planning
- Estate planning
- Meet, review and monitor with client the progress towards client's goals
- Update client's strategy to accommodate changes
- Family member consultations as needed
- Consultations with client's tax professional, attorney, and insurance agent

Typically, HIGHLAND Financial Advisors, LLC conducts one or two discovery meetings with client to develop client's goals and vision for their plan. Then, we develop a comprehensive financial plan around financial planning policies that quantifies available resources, income and expenses, expected rate-of-return, and priorities needed to achieve client's goals.

Based upon client's goals and objectives and upon our analysis of the information supplied, we will make specific recommendations concerning products, services, and/or planning strategies that we believe will best assist in attaining your goals and objectives. HIGHLAND Financial Advisors, LLC then calculates client's customized "target asset allocation," which is a portfolio designed to accommodate client's unique constraints, and is expected to achieve client's rate of return goal, while minimizing unnecessary risk. HIGHLAND Financial Advisors, LLC investment philosophy is based on Modern Portfolio Theory, which holds that asset allocation is the primary determinant of portfolio performance. This customized target asset allocation is documented in client's written investment policy statement, signed by client and HIGHLAND Financial Advisors, LLC.

HIGHLAND Financial Advisors, LLC typically reviews client's portfolio and wealth management on a quarterly basis by measuring the rate-of-return, allocation risk level, market value and progress on their goals and objectives. Periodically, following significant market moves, and only if the trades are expected to result in a benefit to client, HIGHLAND Financial Advisors, LLC rebalances client's actual portfolio back to client's target asset allocation as per the investment policy statement. No less than quarterly, HIGHLAND Financial Advisors, LLC provides client with performance reports that track client's portfolio's historical rate-of-return, allocation risk level and market value, and wealth management reports that track client's goals and overall wealth.

Ongoing financial advice and service includes:

- Continue to help prioritize and implement client's short and long-term goals.
- Review financial plan periodically.
- Meet periodically with client to review goals and progress.
- Monitor life transitions that client is and expects to be experiencing.
- Coach client through decisions and actions to be in alignment with goals.
- Update financial plan periodically as needed.
- Ongoing tax planning.
- Communicate strategies and coordinate with other Advisors.

August 23, 2011 – Firm Brochure

Wealth management follows the financial planning process as defined by the Certified Financial Planner Board of Standards:

1. Define how HIGHLAND Financial Advisors, LLC will work together with client
2. Gather client data, learn about client and client's goals, and answer client's questions
3. Analyze financial planning strategies to help client make informed decisions
4. Recommend strategies and actions that will benefit the client
5. Implement the financial plan for, or with, the client
6. Monitor and report on the progress of the client reaching their goals

Wealth Management Services Fee Schedule				
Net Worth ¹			Quarterly	Annually
\$0	To	\$1,000,000 ²	\$2,500	\$10,000
For each additional \$250,000 of Net Worth from \$1,000,001 to \$5,000,000, the fee will be an additional:			\$450	\$1,800
For each additional \$500,000 of Net Worth from \$5,000,001 to \$10,000,000 the fee will be an additional:			\$600	\$2,400
For Net Worth exceeding \$10,000,000			Negotiable	

(1) Net Worth excludes personal property, primary and secondary residences, closely-held business interest, and up to 90% of any real estate investments. Net Worth includes Managed Assets, and any assets under advisement or that we consult on with respect to your Wealth Management services.

(2) Fees are negotiable with respect to net worth and the minimum fee is \$5,000 per annum.

Retainer fees are level for two years and are based on the net worth at the time of the engagement. Fees will be adjusted at the end of two years and every two years thereafter (based on the net worth of Client at the end of each of the two year period). Fees are due quarterly in advance and a pro-rata refund will be paid to Client if cancelled within any quarter. This quarterly retainer is cancelable anytime without restriction.

Fees may be deducted from the "managed assets" on a quarterly basis or billed directly to the client. If fees are billed and are not paid within 90 days we reserve the right to deduct fees from the "managed assets".

Clients with engagements starting prior to December 31, 2010 may have other fee schedules and agreements for services.

INVESTMENT ADVISORY SERVICES

Investment Advisory services are typically offered to qualified retirement plans, endowments, and trusts. Investment Advisory services do not include any comprehensive wealth management services.

August 23, 2011 – Firm Brochure

After assessing client's goals, objectives, time horizon and risk tolerance, HIGHLAND Financial Advisors, LLC recommends a diversified portfolio.

HIGHLAND Financial Advisors, LLC subscribes to academic research that indicates that the majority of portfolio returns is a result of the asset allocation decision and not market-timing or individual security selection. HIGHLAND Financial Advisors, LLC devotes the majority of its time determining the percentage allocation among various asset classes, including, but not limited to, domestic stocks and bonds, international stocks and bonds, cash, large cap equities, small cap equities, real estate, commodities, etc. The percentage allocations are designed with each individual client's investment goals and risk tolerance in mind.

The portfolio that the client ultimately agrees to will be managed by HIGHLAND Financial Advisors, LLC on a discretionary basis as per their Investment Policy Statement. The objective of the portfolio is to provide the expected returns of the client over the long-term while reducing the risk of the portfolio over the long-term. Long-term is defined as being a minimum of five years, but typically much longer.

HIGHLAND Financial Advisors, LLC's services include the following:

- Develop written Investment Policy
- Investment selection and execution of trades
- Periodic reporting
- Re-balance the portfolio when appropriate
- Re-allocate the portfolio due to changes in the economy, client's objectives, or performance of the investment manager selected
- Tax loss harvesting (where applicable)

Investment Advisory follows the financial planning process as defined by the Certified Financial Planner Board of Standards:

1. Define how HIGHLAND Financial Advisors, LLC will work together with client
2. Gather client data, learn about client and client's goals, and answer client's questions
3. Analyze investment planning strategies to help client make informed decisions
4. Recommend strategies and actions that will benefit the client
5. Implement the investment policy for, or with, the client
6. Monitor and report on the progress of the client reaching their investment goals

INVESTMENT ADVISORY FEE SCHEDULE					
Assets Under Management				Quarterly Fee	Annual Fee
First			\$1,500,000	.20%	0.80%
Next	\$1,500,001	to	\$3,000,000	.17%	0.68%
Next	\$3,000,001	to	\$5,000,000	.105%	0.42%
Next	\$5,000,001	to	\$10,000,000	.0875%	0.35%

Amounts over \$10,000,000 negotiable

Minimum assets under management is typically \$500,000

August 23, 2011 – Firm Brochure

Fees are due quarterly in advance, beginning on the first business day of the month following the month in which the accounts are funded. Thereafter, the fee is due quarterly based on the value of the Client's account on the last business day of the previous month. The client will receive an invoice each quarter reflecting the value of the assets on the close of the previous month and all fees to be debited from their account(s). A pro-rata refund will be paid to Client if canceled within any quarter.

Clients with engagements starting prior to December 31, 2010 may have other fee schedules and agreements for services.

Seminars

Additionally, advice may be rendered regarding securities and/or financial planning through seminars. Such seminars may be used as an introduction to the financial planning process as noted above. Generally such seminars are offered for free, on occasion a fee may be charged.

Client Imposed Investment Restrictions

Although it is rare, there may be circumstances whereby a client does not desire a particular security or asset to be included in their investment policy. If this were to occur, HIGHLAND Financial Advisors, LLC will discuss any possible implications and possible consequences such investment constraint may cause. HIGHLAND Financial Advisors, LLC will use best efforts to accommodate the client. However, if the client wishes to maintain the investment constraint, and HIGHLAND Financial Advisors, LLC believes there are negative implications or consequences to the client over the long-term, or, that HIGHLAND Financial Advisors, LLC will be incapable of delivering the results the client expects as a result of the constraint, HIGHLAND Financial Advisors, LLC reserves the right to terminate the client relationship.

5. FEES AND COMPENSATION

HIGHLAND Financial Advisors, LLC offers Wealth Management and Investment Advisory services on a fee-only basis. HIGHLAND Financial Advisors, LLC does not receive any third party compensation, 12b-1 fees, or commissions from any advice or products it recommends.

The fees for Wealth Management services are based on the investable net worth of the client and were described in Section 4 above. The fees for Investment Advisory are based on a percentage of the assets under management with HIGHLAND Financial Advisors, LLC and were described in Section 4 above. Fees are due from the client prior to HIGHLAND Financial Advisors, LLC commencing services. Typically, our minimum fee is \$5,000 per year and our minimum assets under management is \$500,000.

HIGHLAND Financial Advisors, LLC, as a third party administrator, also receives fees for the design and administration of Qualified and Non-Qualified Employer Retirement Plans.

Other fees or expenses paid in connection with advisory services: products and custodians. All fees paid to HIGHLAND Financial Advisors, LLC for investment advisory and financial planning services are separate and distinct from the fees and expenses charged by mutual funds to their

shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus or Statement of Additional Information, but which may be estimated.

Clients may incur transaction fees or commissions in connection with trading of mutual funds, ETFs, individual stocks and bonds (and/or principal mark-ups and mark-downs for principal trades), which are charged by the custodian (brokerage firm holding the client's assets for safekeeping). Transaction costs for mutual funds and stocks charged by our recommended custodian, Fidelity Investments Institutional Wealth Services, generally vary from \$0 to \$20 for each purchase and sale transaction. The majority of our transactions will be about \$7.95 for each purchase and sale transaction. The transaction costs for bond trades are \$0.

Clients should review both the fees charged by the funds (including transaction and opportunity costs within funds which are not included in a fund's annual expense ratio), the transaction fees charged by the custodian, as well as the fees charged by HIGHLAND Financial Advisors, LLC, to fully understand the total amount of fees and costs paid by the client, in connection with any recommended transaction. For a discussion of our practice in recommending brokers (custodians) to our clients and negotiating brokerage fees on their behalf, please see Item 12.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (custodian) to another. The range for these account termination fees is believed to range generally \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred. Fidelity Investments Institutional Wealth Service does not currently charge a termination fee.

Comparable services

HIGHLAND Financial Advisors, LLC believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. For example, a client could invest in mutual funds directly, without the services of HIGHLAND Financial Advisors, LLC. In that case, the client would not receive the services provided by HIGHLAND Financial Advisors, LLC, 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, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, the funds of Dimensional Funds Advisors are not available to the client directly without the use of an investment adviser granted access to such funds.

Proper management of conflicts of interest relating to the fees we receive from you, relating to the receipt of percentage-based compensation

A conflict of interest can exist in any form of compensation; however, we have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interest.

Investment Advisory services are billed based on assets under management. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (HIGHLAND Financial Advisors, LLC does not accept commission-based compensation of any nature, nor does HIGHLAND Financial Advisors, LLC accept 12b-1 fees). Asset-advised-upon percentage method of compensation can still, at times, lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.); and the amount of funds to place in non-managed cash reserve accounts.

For these reasons, HIGHLAND Financial Advisors, LLC typically does not provide Investment Advisory services, with a fee based on a percentage of the assets under management, to individuals and families. Retirement plans, endowments, and trusts typically do not have the same financial decisions in life as individuals and families, so HIGHLAND Financial Advisors, LLC believes an asset-advised-upon percentage method of compensation has fewer conflicts of interest for these engagements.

Wealth Management services are billed on a retainer basis, based on the invested net worth of the client. This is a less common form of compensation for registered investment advisory firms, but avoids the inherent conflicts of interest associated with commission-based compensation and many of the conflicts of interest associated with asset-advised-upon percentage method of compensation as described in the previous paragraph. For instance, if a client were to ask HIGHLAND Financial Advisors, LLC to determine if they would be better off taking a mortgage to buy a property or withdraw funds from any assets we manage directly, our decision will have no impact on our fees.

6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Not applicable. HIGHLAND Financial Advisors, LLC does not offer performance-based fees or side-by-side management to our clients.

7. TYPES OF CLIENTS

HIGHLAND Financial Advisors, LLC generally provides investment advice to:

- Individuals and families
- Pension and profit sharing plans
- Trusts, estates, endowments or charitable organizations
- Corporations or business entities other than those listed above
- Small business owners

Typically, our minimum fee is \$5,000 per year and our minimum assets under management is \$500,000.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Before investing a client's portfolio, HIGHLAND Financial Advisors, LLC will develop an Investment Policy Statement to establish a clear understanding between the client and HIGHLAND Financial Advisors, LLC as to the investment goals and objectives and management policies applicable to the client's investment portfolio. Clients should understand that buying securities involves risk and the Investment Policy Statement is created to provide a plan to manage the client's assets for an expected rate of return with an acceptable amount of risk.

Generally

HIGHLAND Financial Advisors, LLC provides the investment strategy and its implementation for all clients, utilizing a variety of securities. Clients of HIGHLAND Financial Advisors, LLC receive the benefit of HIGHLAND Financial Advisors, LLC's developed investment philosophies and strategies, research and due diligence, account monitoring, and personal financial planning recommendations. HIGHLAND Financial Advisors, LLC security analysis method is fundamental.

HIGHLAND Financial Advisors, LLC's Investment Committee establishes the overall investment strategies employed by the firm, reviews the brokerage/custodian firms we recommend to our clients, and approves of particular investments which may be used by advisors of our firm. The Investment Committee includes Reed C. Fraasa (Chair), Michael D. Gibney (Director), Taylor Thomas (Research Analyst), and Edward Leach (Research Analyst).

Expansive academic research, investment information, and certain proprietary analyses are drawn upon by HIGHLAND Financial Advisors, LLC, in order to provide innovative investment advisory services. Each of HIGHLAND Financial Advisors, LLC's clients receive a written Investment Policy Statement, which sets forth a recommended strategic asset allocation.

Specific no-load mutual funds and other investment products and securities are then recommended to clients. Clients' portfolios are then periodically monitored, and adjustments to investment portfolios are suggested when appropriate. A disciplined approach to rebalancing is employed in order to maintain asset class exposures within desired risk tolerances, subject to variances permitted for tax reduction, tax planning or other reasons.

The basic tenets of HIGHLAND Financial Advisors, LLC investment strategy includes the following:

- Investors are risk averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns.
- Markets are efficient. It is virtually impossible to anticipate the future direction of the market as a whole or of any individual security. It is therefore, unlikely that any security or fund will succeed in consistently "beating the market."
- The design of the portfolio as a whole is more important than the selection of any particular security within the portfolio. The appropriate allocation of capital among asset classes (stocks, bonds, cash, etc.) will have far more influence on long-term portfolio results than the selection of individual securities. Investing for the long term (minimum is five years, but preferably longer

than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.

- Portfolio risk can be decreased by increasing diversification of the portfolio and by lowering the correlation of market behavior among the asset classes selected. (Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another.)
- Investing globally helps to minimize overall portfolio risk due to the imperfect correlation among economies of the world.
- Equities offer the potential for higher long-term investment returns than cash or fixed income investments. Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results, including occasional declines in value.
- Picking individual securities and timing the purchase or sale of investments in the attempt to “beat the market” are highly unlikely to increase long-term investment returns; this also can significantly increase portfolio operating costs. Such practices therefore are to be avoided.
- Some risk, primarily in the form of principal volatility, must be accepted in order to achieve your long-term investment objectives.

Clients should understand that there can be no guarantee about the attainment of any goals, investment objectives, or investment returns.

Methods of Analyses and Investment Strategies, In General

In designing investment plans for clients, HIGHLAND Financial Advisors, LLC relies upon the information supplied by the client and the client’s other professional advisors. Such information may pertain to the client’s financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk.

This information becomes the basis for the strategic asset allocation plan which we believe will best meet the client’s stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes which HIGHLAND Financial Advisors, LLC believes (based on historical data and HIGHLAND Financial Advisors, LLC’s proprietary analysis) will possess attractive combinations of return, risk, and correlation over the long term. A tremendous amount of academic research reveals that strategic asset allocation determines the majority of the expected long-term gross returns of investor’s portfolios. Our selection of asset classes is driven by research into global asset classes by such academics as Professor Eugene Fama, Sr. of the University of Chicago Booth Graduate School of Business and the Center for Research in Security Prices, Professor Kenneth French of Dartmouth College, and many other academics and researchers.

The investment advice which HIGHLAND Financial Advisors, LLC provides is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor’s portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility over long periods of time.

HIGHLAND Financial Advisors, LLC’s investment approach is firmly rooted in the belief that markets are fairly efficient (although not always rational) and that investors’ gross returns are determined principally by asset allocation decisions. A focus is provided on developing and

implementing globally diversified portfolios, principally through the use of low-cost and tax-efficient passively managed stock mutual funds that are generally available only to institutional investors and clients of advisers granted access to such funds.

Investment policy and overall portfolio weightings among equities, fixed income, and cash equivalent investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by HIGHLAND Financial Advisors, LLC to fit the overall weightings of equities (stocks, stock mutual funds, etc.) and fixed income investments (notes, bonds, bond funds, CDs, etc.) in an investor's portfolio. For other clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of a client, the presence of investments in 401(k) or other accounts, as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets.

To the extent possible, HIGHLAND Financial Advisors, LLC will utilize asset location to maximize after-tax returns by placing certain asset classes in taxable accounts and other asset classes in tax-deferred or tax-free accounts. For a client with multiple accounts, this will result in accounts with different holdings and each account performing differently. HIGHLAND Financial Advisors, LLC is primarily concerned with the performance and risk characteristics of the portfolio as a whole and not with each individual account. Therefore, clients with multiple accounts will likely not have duplicate portfolios in each account.

In addition, a client's initial or revised strategic asset allocation may be influenced by a review of the relative valuation levels of various asset classes and the investment time horizon of that client. While asset class "bubbles" are attempted to be discerned when they occur, tactical asset allocation strategies are not generally employed in connection with the management of client portfolios.

Methods of Analysis; Sources of Information

Our security analysis is based upon a number of factors including those derived from commercially available software technology, securities rating services, general economic and market and financial information, due diligence reviews, and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic whitepapers and periodicals. Prospectuses, statements of additional information, other issuer prepared information, and data aggregation services are also utilized. Investment Committee members and advisors also attend various investment and financial planning conferences. Research is also received from consultants, including financial economists affiliated with Dimensional Funds Advisors (DFA), Fidelity Investments, and other firms. DFA provides historical market analysis, risk/return analysis, and continuing education services. Various computer software programs from DFA and from other third parties may also be utilized to better model the historical and/or expected returns of designed portfolios.

Types of Investments

Each client typically receives an investment portfolio which consists mainly of no-load stock and bond mutual funds. The passively managed stock mutual funds offered by Dimensional Funds Advisors (DFA) are generally recommended for many, but not all, asset class allocations. DFA mutual funds offer broad diversification and most are structured for low turnover, so as to

August 23, 2011 – Firm Brochure

substantially lessen the often substantial transaction costs incurred by some mutual funds and ETFs as they trade securities within the fund. Consequently, the DFA stock mutual funds' total fees and costs are believed to be generally lower than the total fees and expenses incurred by most other stock mutual funds (including many ETFs and index funds) when comparing funds in the same asset class(es).

Investment portfolios will also include bond funds and/or individual fixed income investments (bonds, C.D.'s, etc.).

Client portfolios may also include some individual equity securities, but these are generally part of clients' investment holdings prior to becoming a client of HIGHLAND Financial Advisors, LLC.

Publicly traded real estate investment trusts (REITS) and commodities-linked index or passive mutual funds or ETFs will be recommended for real estate or commodities asset allocation strategy.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken to clients to invest in low-cost, no-load/no-surrender charge (no commission) variable or fixed deferred or immediate annuities when appropriate to the circumstances and tax situation of the client. More often, this occurs when a client possesses an existing high-cost variable annuity, and a rollover of the annuity is indicated rather than redemption for tax planning purposes, in order to seek to lower the total fees and costs paid by the client and/or provide different investment choices. At times clients may be advised to retain an existing annuity, previously purchased by the client, or undertake partial or full surrenders of same (and/or tax-free exchanges), following an evaluation of the annuity contract, riders thereto, investment alternatives within the annuity and their fees and costs, including any surrender fees which may be imposed by the insurance company.

New clients' existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client's existing portfolio to the recommended portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Each client's portfolio holdings and strategic asset allocation are then monitored periodically, taking into account the cash flow needs of the client. Review meetings with clients are held regarding their investment assets under advisement and other personal financial planning issues.

Risk of Loss, In General

Investing in securities involves a risk of loss that clients should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds) and investment in high quality fixed income securities or diversified bond funds. However, the investment methodology will still subject the client to declines in the value of their portfolios, which can at times be dramatic. We believe there exists a high probability in most market environments of a very long-term (15-year or greater) outperformance of small cap and value stocks, relative to large cap and growth stocks, and hence the stock (equities) portion of an investor's portfolio may be "tilted" toward small cap and value stocks. HIGHLAND Financial Advisors, LLC believes the primary use of bonds and cash equivalents in the portfolio is to counter the volatility of stocks over the short-term (less than 5 years).

Given the long-term nature of the expected equity premium (i.e., the additional expected return for investing in the overall stock market, relative to less “risky” U.S. Treasury bills), and the long term nature of the expected value and small cap effects, HIGHLAND Financial Advisors, LLC’s investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds. HIGHLAND Financial Advisors, LLC’s investment portfolios are usually appropriate for clients possessing an investment time horizon of a minimum of five years, and preferably even longer. Even then, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision-making), HIGHLAND Financial Advisors, LLC does not engage in market-timing activities. HIGHLAND Financial Advisors, LLC believes the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any given time period. While HIGHLAND Financial Advisors, LLC seeks to reduce risks to which a client may be exposed, other risks (including but not limited to the risk of a general stock market decline) may be assumed in order to seek to attain the client’s longer-term financial goals and objectives; however, HIGHLAND Financial Advisors, LLC cannot provide any guarantee that the client’s goals and objectives will be achieved.

Risk of Loss, Certain Higher-Risk Securities

Certain securities recommended, such as U.S. small cap value mutual funds, U.S. small cap and micro-cap mutual funds, commodities-linked mutual funds, emerging markets mutual funds and similar pooled investment vehicles inside variable annuities, possess higher levels of volatility (as individual asset classes within a portfolio). HIGHLAND Financial Advisors, LLC may employ these securities as part of an overall strategic asset allocation for a client, and when such is undertaken, HIGHLAND Financial Advisors, LLC possesses a reasonable belief that the risk-return relationship for these securities will likely be beneficial for the investor over the long term.

While HIGHLAND Financial Advisors, LLC does not recommend the purchase or holding of individual common stocks, clients at times desire to retain certain existing holdings, or to purchase a new position. Reasons for clients’ desires might include emotional ties to the stock and/or the presence of substantial unrealized capital gains, or other reasons. When individual common stocks (and related types of individual securities, such as American Depositary Receipts – foreign stocks in US currency) are held in a client’s investment portfolio, the client remains exposed to “specific company risk” in addition to “general market risk”.

Individual U.S. government, government agency, corporate, and municipal bonds may be recommended to clients. All corporate and municipal bonds bear a risk of default. Consequently, individual corporate and municipal bonds generally possess somewhat higher risks.

While all Certificates of Deposit (CDs) purchased for HIGHLAND Financial Advisors, LLC’s clients are FDIC-insured, the pricing of certain of these CDs, which trade in the secondary market, can vary; accordingly, due to price declines and/or transaction costs associated with trading, these CDs could lose value if redeemed prior to maturity. When CDs are recommended to clients, it is our intent that clients hold the CDs to maturity.

Cash Balances in Client Accounts

Cash in clients' investment accounts are typically swept into the money market mutual fund accounts of Fidelity Investments. HIGHLAND Financial Advisors, LLC discusses with each client, during periodic reviews, conferences, and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not the practice to encourage clients to maintain a large amount of cash in their accounts, such may be undertaken depending on the planning needs of the client. For instance, HIGHLAND Financial Advisors, LLC advises clients to maintain an emergency fund at their local bank to cover a minimum of three to six months living expenses. Additionally, since the time horizon of their capital assets needs to be five years or longer, any capital they intend to consume over the next five years should be kept in a "reserve fund". This would be typical for a short-term goal or for someone in retirement needing income from their assets to support their lifestyle.

Should the client need a "cash reserve account," HIGHLAND Financial Advisors, LLC will establish a separate cash reserve account or fund. The reserve account or fund is typically invested in money market funds, ultra-short-term bond funds, or CDs. HIGHLAND Financial Advisors, LLC will monitor the reserve account or fund and restore cash reserves from a portfolio rebalance when appropriate. HIGHLAND Financial Advisors, LLC excludes separate accounts established for cash reserve purposes in the calculation of HIGHLAND Financial Advisors, LLC's assets under advisement, and excludes the value of cash reserve accounts from a client's fee calculations.

Additionally, smaller cash amounts, typically about 1% of the portfolio, may be maintained in order to facilitate billing of HIGHLAND Financial Advisors, LLC's periodic fees. This may have the effect of slightly reducing the portfolio's returns in periods when overall positive returns occur in the portfolio in excess of the interest rate paid on cash or cash equivalent deposits. However, this is typically more cost effective than selling a security and incurring transaction fees and taxes to facilitate the billing of our fees.

9. DISCIPLINARY INFORMATION

There are no disciplinary actions to report for HIGHLAND Financial Advisors, LLC or any of its investment adviser representatives.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

HIGHLAND Financial Advisors, LLC is actively engaged in a business other than giving investment advice and offers services other than investment advice to clients. HIGHLAND Financial Advisors, LLC also provides pension and profit sharing plan consulting and administration services to businesses and individuals. This is known as Third Party Administration of qualified retirement plans. Approximately 15% of the firm's time is spent in this area. HIGHLAND Financial Advisors, LLC charges fees for this service. Typically, HIGHLAND Financial Advisors, LLC will only provide these services to clients in conjunction with our Investment Advisory services. Clients are not required to use our Third Party Administration to obtain our Investment Advisory services.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Generally, We Seek to Avoid Material Conflicts of Interest

HIGHLAND Financial Advisors, LLC seeks to avoid material conflicts of interest. Accordingly, HIGHLAND Financial Advisors, LLC, its investment adviser representatives, or its team members do not receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies.

However, some additional services and non-direct monetary or other forms of compensation are offered and provided to HIGHLAND Financial Advisors, LLC as a result of its relationships with custodian(s) and/or providers of mutual fund products. For example, HIGHLAND Financial Advisors, LLC's investment advisors and employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. Other services may be provided as outlined below. HIGHLAND Financial Advisors, LLC believes that the services and benefits actually provided to it by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to clients of HIGHLAND Financial Advisors, LLC. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although HIGHLAND Financial Advisors, LLC believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to appropriately manage any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

About Our Relationships with Investment Product Providers and Custodians

Following a stringent interview process, HIGHLAND Financial Advisors, LLC was granted access by Dimensional Funds Advisors (DFA) to its mutual funds in March of 2008. Dimensional Funds Advisors is a Santa Monica, California-based mutual fund company with over 40 funds and over \$206 billion of assets under management (as of December 31, 2010).

While there is no direct linkage between the investment advice given and the approval of HIGHLAND Financial Advisors, LLC to access the mutual funds of Dimensional Funds Advisors, economic benefits are received which would not be received if HIGHLAND Financial Advisors, LLC did not give investment advice to clients. These benefits, which are also received by other Registered Investment Adviser firms granted access to the DFA funds, include: (a) attendance at seminars hosted by Dimensional Funds Advisors at which the investment products of Dimensional Funds Advisors are explained, academic instruction is given on asset allocation strategies, and financial planning and practice management instruction is given. HIGHLAND Financial Advisors, LLC pays all of the travel and hotel costs for members and staff attending these seminars. Dimensional Funds Advisors provides, at no charge to HIGHLAND Financial Advisors, LLC and the other attendees at such seminars, the speakers and facilities for the seminar, occasional luncheons or dinners, and the materials handed out at the seminar; (b) access to the "financial advisor" portion of the Dimensional Funds Advisors web site (www.dfaus.com), which contains additional academic research, practice management articles, newsletters, educational video presentations, software, and

August 23, 2011 – Firm Brochure

investment returns data; (c) use of the DFA Returns and DFA Allocation Evaluator software programs and accompanying data; (d) various print materials; (e) occasional practice management conferences and telephone conferences with Dimensional Funds Advisors' team members; (f) participation in a regional study group sponsored and hosted by Dimensional Funds Advisors; and (g) other services and benefits.

HIGHLAND Financial Advisors, LLC is under no obligation to recommend the mutual funds of Dimensional Funds Advisors to HIGHLAND Financial Advisors, LLC's clients. HIGHLAND Financial Advisors, LLC recommends funds of Dimensional Funds Advisors or other mutual fund companies or other investment products only when HIGHLAND Financial Advisors, LLC believes they best suit the client's objectives. HIGHLAND Financial Advisors, LLC does not provide any payment to Dimensional Funds Advisors for the access provided to HIGHLAND Financial Advisors, LLC's clients. Dimensional Funds Advisors does not pay to HIGHLAND Financial Advisors, LLC any direct monetary compensation in order to recommend the funds of Dimensional Funds Advisors.

HIGHLAND Financial Advisors, LLC receives benefits from its custodial relationship with Fidelity Investments Institutional Wealth Services, which are also received by other Registered Investment Adviser firms who custody client's assets with Fidelity Investments Institutional Wealth Services, including: (a) attendance at seminars hosted by Fidelity Investments Institutional Wealth Services, where financial planning, investment management and practice management instruction is given. HIGHLAND Financial Advisors, LLC pays all of the travel and hotel costs for members and staff attending these seminars. Fidelity Investments Institutional Wealth Services provides, at no charge to HIGHLAND Financial Advisors, LLC and the other attendees at such seminars, the speakers and facilities for the seminar, occasional luncheons or dinners, and the materials handed out at the seminar; (b) access to "Wealth Central", a Fidelity Investments Institutional Wealth Services web-based account monitoring and service site for advisors, which also contains additional academic research, practice management articles, newsletters, educational video presentations, and investment returns data; (c) occasional practice management conferences and telephone conferences with Fidelity Investments Institutional Wealth Services' economists, analysts, and advisors; (d) other services and benefits.

Our Code of Ethics

HIGHLAND Financial Advisors, LLC has adopted a Code of Ethics, to which all investment advisor representatives and employees are bound to adhere. The key components of our Code of Ethics reflect:

- The interests of clients will be placed ahead of the firm's or any employee's own investment interests.
- Employees are expected to conduct their personal securities transactions in accordance with the Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client. Employees with questions regarding the appearance of a conflict with a client should consult with the CCO before taking action that may result in an actual conflict.
- Employees will not take inappropriate advantage of their position with the firm.
- Employees are expected to act in the best interest of each of our clients.
- Employees are expected to comply with federal securities laws. Strict adherence to this policy manual will assist the employee in complying with this important requirement.

HIGHLAND Financial Advisors, LLC adopted a detailed Code of Ethics expressing the firm's commitment to ethical conduct, which is utilized to guide the personal conduct of our various team members. This detailed Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth our practices of supervising the personal securities transactions of employees with prior or concurrent access to client trade information.

HIGHLAND Financial Advisors, LLC will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

HIGHLAND Financial Advisors, LLC does not currently participate in securities in which it has a material financial interest. HIGHLAND Financial Advisors, LLC and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons has a material financial interest.

HIGHLAND Financial Advisors, LLC's Code of Ethics provides that individuals associated with our firm may buy or sell securities for their personal accounts identical or different than those recommended to clients. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to that of an advisory client nor make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with the Code of Ethics, our firm's require that anyone associated with this advisory practice and who possesses access to advisory recommendations (before or at the time they are entered into) ("access persons") to provide annual securities holding reports and quarterly transaction reports to HIGHLAND Financial Advisors, LLC's Chief Compliance Officer or his or her designee. We also require access persons to receive advance approval from HIGHLAND Financial Advisors, LLC's Chief Compliance Officer or his designee prior to investing in any initial public offerings or private placements, and with regard to trading of certain individual securities.

The Code of Ethics further includes our firms' policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

In instances where HIGHLAND Financial Advisors, LLC and/or its associates buy or sell the same securities as those of their clients, the client's accounts are given priority. HIGHLAND Financial Advisors, LLC's representatives may not effect for himself or herself or his or her immediate family ("Covered Persons") any transactions in a security that is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any HIGHLAND Financial Advisors, LLC's clients, unless in accordance with the following Firm Procedures:

1. If HIGHLAND Financial Advisors, LLC is purchasing or considering for purchase any security on behalf of HIGHLAND Financial Advisors, LLC's client, no Covered Persons may transact in that security prior to the client's purchase having been completed by HIGHLAND

August 23, 2011 – Firm Brochure

Financial Advisors, LLC, or until a decision has been made not to purchase the security on behalf of the client; and

2. If HIGHLAND Financial Advisors, LLC is selling or considering the sale of any security on behalf of HIGHLAND Financial Advisors, LLC client, no Covered Persons may transact in that security prior to the sale on behalf of the client having been completed by HIGHLAND Financial Advisors, LLC, or until a decision has been made not to sell the security on behalf of the client.

General exceptions:

1. This Investment Policy has been established recognizing that some securities being considered for purchase and sale on behalf of HIGHLAND Financial Advisors, LLC's clients trade in sufficiently broad markets to permit transactions to be completed without any appreciable impact on the markets of the securities.
2. Open-end mutual funds and/or the investment subdivisions which may comprise a variable insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and /or variable insurance products by Covered Persons are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by the Advisory Firm's Investment Policy and Procedures.

In accordance with Section 204A of the Investment Advisors Act of 1940, HIGHLAND Financial Advisors, LLC also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by HIGHLAND Financial Advisors, LLC or any person associated with HIGHLAND Financial Advisors, LLC.

12. BROKERAGE PRACTICES

Use of Brokerage Firms (Custodians), In General

If a client requests a broker-dealer/custodian, HIGHLAND Financial Advisors, LLC utilizes the services of Fidelity Investments Institutional Wealth Services. The client is however, under no obligation to transact securities through Fidelity Investments Institutional Wealth Services. Fidelity Investments Institutional Wealth Services provides our team members with access to institutional trading and custody services, which services are typically not available to retail investors.

The benefits provided by Fidelity Investments Institutional Wealth Services include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of electronic duplicate statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials (including, for example, rating reports on individual companies from Standard and Poors' or other sources); (e) access to other vendors (such as insurance or compliance providers, or providers of research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting HIGHLAND Financial Advisors,

LLC to access an electronic communication network for client order entry and to access clients' account information and which may otherwise assist HIGHLAND Financial Advisors, LLC with its back-office functions, including recordkeeping and client reporting; and (g) conferences at which advisors and employees of our firms may attend (with no registration fees) and receive education on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology.

In seeking "best execution", the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer's services including execution capability, commission rates, and responsiveness.

Participation in the custodians programs also provides access to certain mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors, such as the mutual funds of Dimensional Funds Advisors and institutional share classes. The benefits received through participation in the custodians programs may depend upon the amount of transactions directed to, or amount of assets placed in custody with, Fidelity Investments Institutional Wealth Services.

Generally, many of these services may be utilized to service all or a substantial number of our clients' accounts. Educational, research, or other services provided by custodians or mutual fund companies may benefit all of HIGHLAND Financial Advisors, LLC's or HIGHLAND Financial Advisors, LLC's clients, or may benefit only some clients.

Our Recommendations of Brokerage Firms

The client may direct HIGHLAND Financial Advisors, LLC to use a particular broker-dealer (subject to HIGHLAND Financial Advisors, LLC's right to decline and/or terminate the engagement). In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and HIGHLAND Financial Advisors, LLC will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by HIGHLAND Financial Advisors, LLC.

Further, if such brokers are utilized, HIGHLAND Financial Advisors, LLC may not possess access to certain mutual funds and other investments that are generally available only to institutional investors or which would require a significantly higher minimum initial investment, and commission rates paid or transaction fees paid may be higher than the fees negotiated by HIGHLAND Financial Advisors, LLC.

While as a fiduciary, HIGHLAND Financial Advisors, LLC endeavors to act in its clients' best interests, our desire that clients maintain much of their assets in accounts at Fidelity Investments Institutional Wealth Services may be based in part on the benefit to our firm for the availability of some products and services (previously described) at no cost to our firm, or at reduced costs, and not solely on the nature, cost, or quality of custody and brokerage services provided by the brokers, and this may create a potential conflict of interest. HIGHLAND Financial Advisors, LLC's clients may, therefore, pay higher transaction fees, commissions (for individual stock and ETF trades), and

principal mark-ups and mark-downs (relating to purchases and sales on a principal, as opposed to an agency, basis), than those charged by other discount brokers.

However, we have negotiated fees with the custodian we recommend, and we have selected this custodian for their generally low fees relative to another large custodian. Also, please note that we prefer to recommend custodians whom possess significant size and financial resources, for purposes of enhanced safety of clients' funds. For all of these reasons, the lowest cost custodian for clients may not be recommended to clients by HIGHLAND Financial Advisors, LLC. Further, many of the benefits to HIGHLAND Financial Advisors, LLC of having significant volume with a custodian also benefits clients of HIGHLAND Financial Advisors, LLC with lower negotiated fees and services that otherwise may not be available with this custodian.

Aggregation of Client Trades

HIGHLAND Financial Advisors, LLC may aggregate sale and purchase orders of securities held by HIGHLAND Financial Advisors, LLC and clients with similar orders being made simultaneously for other clients if such aggregation is reasonably likely to result in overall economic benefit to clients based on an evaluation that the clients are benefited by relatively better purchase or sale prices, or beneficial timing of transactions, or a combination of these and other factors. In some instances, the purchase or sale of securities for clients will be affected simultaneously with the purchase or sale of like securities for other clients. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions is determined and the client may be charged or credited, as the case may be, the average transaction price.

HIGHLAND Financial Advisors, LLC is able to aggregate sale and purchase orders while still maintaining enhanced tax-efficient portfolio management and efficient rebalancing and asset location practices due to significant investment in trading software (Tamarac), which enables HIGHLAND Financial Advisors, LLC to provide our clients with the benefits of batched orders and tax-efficient portfolio management. Clients of other advisory firms may not be receiving these benefits.

Non-Participation in Client Referral Programs of Custodians

HIGHLAND Financial Advisors, LLC seeks to avoid certain relationships with custodians which it believes might materially hamper its independence in its providing advice to its clients or result in clients paying higher mutual fund management, administrative, or other product-related fees and costs. HIGHLAND Financial Advisors, LLC does not participate in the client referral programs which may be sponsored by such custodians. Fidelity Investments Institutional Wealth Services does not currently offer a client referral program.

Participation in Client Referral Programs of Investment Product Providers

HIGHLAND Financial Advisors, LLC, as an approved registered investment adviser firm with Dimensional Fund Advisors (DFA), is included in their public website's referral program. Because DFA does not sell directly to the public, public inquiries are referred out to those registered investment advisers whom are approved to work with DFA. HIGHLAND Financial Advisors, LLC does not pay any fees to be included in DFA's website database and we are under no obligation to recommend the mutual funds of DFA.

13. REVIEW OF ACCOUNTS

For those clients to whom HIGHLAND Financial Advisors, LLC will provide investment supervisory services, account reviews are conducted on an ongoing basis by the Principals of HIGHLAND Financial Advisors, LLC and/or its Associate Persons. All clients are advised to inform HIGHLAND Financial Advisors, LLC of any changes to their goals and objectives or financial situation that could impact their financial planning or investment objectives.

There are two reviewers of all clients' accounts. The Wealth Manager or Financial Planner and Financial Analyst reviews all accounts on at least a quarterly basis for consistency with investment objectives, including asset allocation, performance measures, and other investment policy criteria. The accounts administrator reviews accounts on a daily basis for accuracy of transactions, including, credits, debits, deposits and disbursements. The Financial Analyst reviews accounts for the accuracy of trades on an ongoing basis.

Clients receive a confirmation of each transaction and periodic statements from their broker-dealer/custodian. Those clients to whom HIGHLAND Financial Advisors, LLC provides wealth management and/or investment supervisory services will also receive updates and reports, including summaries of activity, analysis and performance, at least quarterly as specified in the advisory agreement. Wealth Management and Investment Advisory Performance Reports are typically updated and posted to a private client web page with secure user login at least quarterly, but may be more frequently. For instance, some performance reports are posted on a weekly basis. For those clients without access to the internet, reports are mailed at least quarterly.

14. CLIENT REFERRALS AND OTHER COMPENSATION

HIGHLAND Financial Advisors, LLC is not paid cash by and does not receive any economic benefit including commissions, equipment or non-research services from a non-client in connection with giving advice to clients. HIGHLAND Financial Advisors, LLC does not directly or indirectly compensate any person for client referrals.

15. CUSTODY

HIGHLAND Financial Advisors, LLC does not have custody of client funds or securities. Client funds and securities are held by the custodian (Fidelity Investments Institutional Wealth Services). Clients will receive account statements and confirms directly from the custodian. Clients should carefully review the account statements they receive.

16. INVESTMENT DISCRETION

HIGHLAND Financial Advisors, LLC has 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.

Typically, HIGHLAND Financial Advisors, LLC consults with client on the initial implementation of the client's investment policy as per the client's investment policy statement. After that time, HIGHLAND Financial Advisors, LLC will supervise and manage the client's portfolio including making buys and sells without obtaining client consent. The terms of the relationship is detailed in the Wealth Management or Investment Advisory agreement.

Discretion is limited to the authorized trading of securities and balances maintained in cash reserves as per the investment policy statement for the client. HIGHLAND Financial Advisors, LLC can only exercise discretion on those securities held at a custodian that recognizes HIGHLAND Financial Advisors, LLC as an authorized representative for the client. This is known as having a limited power of attorney. For instance, HIGHLAND Financial Advisors, LLC may not be able to direct trades for client's assets held at their employer's 401(k) plan or other assets held away.

17. VOTING CLIENT SECURITIES

HIGHLAND Financial Advisors, LLC does not have authority to vote client securities. Clients will receive their proxies or other solicitations directly from Fidelity Investments Institutional Wealth Services or a transfer agent. Clients may contact HIGHLAND Financial Advisors, LLC with questions regarding any of these materials.

18. FINANCIAL INFORMATION

Not applicable. HIGHLAND Financial Advisors, LLC is not required to disclose financial information.

19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable. HIGHLAND Financial Advisors, LLC is federally registered with the Securities and Exchange Commission.

Privacy Notice

Our Promise to You

As a client of HIGHLAND Financial Advisors, LLC, you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

Information Provided By Clients

In the normal course of doing business, we typically obtain the following non-public personal information about our clients:

- Personal information regarding our clients' identity such as name, address and social security number;
- Information regarding securities transactions effected by us; and
- Client financial information such as net-worth, assets, income, bank account information and account balances.

How We Manage and Protect Your Personal Information

We do not sell information about current or former clients to third parties, nor is it our practice to disclose such information to third parties unless requested to do so by a client or client representative or, if necessary, in order to process a transaction, service an account or as permitted by law. Additionally, we may share information with outside companies that perform administrative services for us. However, our contractual arrangements with these service providers require them to treat your information as confidential.

In order to protect your personal information, we maintain physical, electronic and procedural safeguards to protect your personal information. Our Privacy Policy restricts the use of client information and requires that it be held in strict confidence.

Client Notifications

We are required by law to annually provide a notice describing our privacy policy. In addition, we will inform you promptly if there are changes to our policy.

Please do not hesitate to contact us with questions about this notice.

**Brochure Supplement
for
Reed C. Fraasa**

**HIGHLAND Financial Advisors, LLC
44 Route 23 North – Ste. 11
Riverdale, NJ 07457**

**Phone: 973-557-2933
Fax: 973-858-0201
www.highlandplanning.com**

January 25, 2011

This brochure supplement provides information about Reed C. Fraasa that supplements the HIGHLAND Financial Advisors, LLC brochure. You should have received a copy of that brochure. Please contact Reed C. Fraasa if you did not receive HIGHLAND Financial Advisors, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Reed C. Fraasa is available on the SEC's website at www.adviserinfo.sec.gov

REED C. FRAASA

DOB 3-26-58

Educational Background

College for Financial Planning (Denver, CO)

CFP® Certification 1993

Minimum Qualifications required:

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional

August 23, 2011 – Firm Brochure

Conduct, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Kinder Institute, Registered Life Planner®, RLP® 2007

Minimum Qualifications required:

The Kinder Institute issues and controls the registered trademark for the Registered Life Planner® designation after a participant has completed the following three requirements:

- Completion of a two day workshop, The Seven Stages of Money Maturity
- Completion of a five day workshop on EVOKE™ training
- Completion of a six month mentorship in EVOKE® training through case studies, peer support, group teleconferences and one-on-one guidance from an experienced mentor.

This method is based on the premise that advisors should first discover a client's most essential goals in life before formulating a financial plan, so a client's finances fully support those goals.

Business Experience

HIGHLAND Financial Advisors, LLC
President, Founder, Wealth Manager

October 1996 - Present

Disciplinary Information

There are no legal or disciplinary events to report.

Other Business Activities

There are no other business activities to report.

Additional Compensation

There is no additional compensation to report. Reed C. Fraasa is solely compensated from the regular business activities of HIGHLAND Financial Advisors, LLC as disclosed in the Firm Brochure.

Supervision

Reed C. Fraasa is a managing member of HIGHLAND Financial Advisors, LLC.

Requirements for State-Registered Advisers

Not applicable. HIGHLAND Financial Advisors, LLC is federally registered with the Securities and Exchange Commission.

Brochure Supplement

for

Michael D. Gibney

**HIGHLAND Financial Advisors, LLC
44 Route 23 North – Ste. 11
Riverdale, NJ 07457**

Phone: 973-557-2933

Fax: 973-858-0201

www.highlandplanning.com

January 25, 2011

This brochure supplement provides information about Michael D. Gibney that supplements the HIGHLAND Financial Advisors, LLC brochure. You should have received a copy of that brochure. Please contact Michael D. Gibney if you did not receive HIGHLAND Financial Advisors, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Michael D. Gibney is available on the SEC's website at www.adviserinfo.sec.gov.

August 23, 2011 – Firm Brochure

MICHAEL D. GIBNEY

DOB 4-09-63

Educational Background

New York University Financial Planning Program

CFP® Certification 2006

Minimum Qualifications required:

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional

August 23, 2011 – Firm Brochure

Conduct, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Pace University

B.B.A. 1985

Business Experience

HIGHLAND Financial Advisors, LLC
Financial Advisor, Financial Planner

May 2005 - Present

Disciplinary Information

There are no legal or disciplinary events to report.

Other Business Activities

There are no other business activities to report.

Additional Compensation

There is no additional compensation to report. Michael D. Gibney is solely compensated from the regular business activities of HIGHLAND Financial Advisors, LLC as disclosed in the Firm Brochure.

Supervision

Michael D. Gibney is a managing member of HIGHLAND Financial Advisors, LLC.

Requirements for State-Registered Advisers

Not applicable. HIGHLAND Financial Advisors, LLC is federally registered with the Securities and Exchange Commission.