

Item 1 – Cover Page



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June 6, 2012

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and Highland Private Wealth Management, LLC (Highland, we, our, us). This Brochure provides information about our qualifications and business practices.

If you have any questions about the contents of this Brochure, please contact Jeff Edgbert, Chief Compliance Officer at 425-739-6500 or via email at jeff@highlandprivate.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 Regulatory Authority.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us.

Additional information about our firm (and our employees) is available to you for free, by using a Securities and Exchange Commission “public disclosure” website. This site is called “Investment Adviser Public Disclosure” and is available at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov. We may update this Brochure at any time, and either send you a revised copy or offer to send you a copy, either by electronic means (email) or in hard copy form.

This update, dated June 6, 2012, reflects material amendments to this Form ADV Part 2 A / B subsequent to our March 30, 2012, amendment. These material changes include:

1. Brochure supplement – investment personnel: Linda C. Olson is no longer employed with Highland effective June 2012.

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Item 4 – Advisory Business

Overview of the Firm and Principal Owners

Highland Private Wealth Management, LLC (Highland, us, we, our) was established and initially registered as an investment adviser in May of 1999. Highland's office is located in Bellevue, Washington. The sole shareholder of Highland is John C. Christianson, who serves as President and CEO (and Managing Member). Robert Wuflestad serves as COO. Highland changed its name from Highland Capital Management, LLC to Highland Private Wealth Management effective March 31, 2011.

Services Offered / Provided

We provide private wealth management services to primarily West Coast-based high net worth and ultra-high net worth individuals and families. All Clients (you, your) are required to enter into a written advisory agreement with Highland to receive our services. Within the agreement will be a description of the services we provide, your imposed limitations or restrictions (if any), and the fees you pay us for our services (among other items). In general, our services include:

1. Financial Planning
2. Portfolio Management
3. Limited Scope Consulting Services:
 - a. Wealth Picture
 - b. Wealth Roadmap
4. Comprehensive Private Wealth Management Services – “Wealth Guide”

1. Financial Planning

A key aspect of our advisory role is developing a clear understanding of a Client's financial picture, where gaps exist, and the possible pathways and solutions that will enable you to achieve your desired outcomes. This complete financial review takes into account not only your opportunities but also the barriers that stand in your way. We have checklists and other discovery materials that can assist you in compiling the critical information we will need to fully understand your specific circumstances.

Our observations, analysis, and recommendations, which we usually provide to you in written format, are designed to cover a broad array of wealth management issues and can be tailored to your specific needs. The types of issues we consider can include:

- Goals planning
- Investment strategy

- Estate and tax planning
- Financial independence
- Risk planning
- Cash flow and budgeting
- Asset allocation
- Asset concentration and protection
- Education planning
- Debt management
- Philanthropy

We seek to build collaborative relationships with all of your other professional advisers (e.g. insurance agents, accountants, and attorneys) in the development and execution of your financial plan. ***Please note: Although our advice covers a broad range of topics, Highland does not provide legal or tax advice. We recommend (and encourage you) to seek out your own attorney or tax professional to receive this specific advice and guidance.***

Highland delivers its financial planning services on a stand-alone, fixed engagement basis (see Wealth Picture and Wealth Roadmap, below) or as part of an ongoing comprehensive wealth management relationship (see Wealth Guide, below.)

2. Portfolio Management

Highland constructs and manages portfolios for each Client, based upon their individual needs, risk tolerance, return expectation, cash flow and liquidity requirements, and time horizon. An investment policy statement is drafted to document the Client's goals, asset allocation, portfolio strategy, and expected return outcomes.

Our custom asset management approach provides the ability for you to make certain restrictions or limitations on the portfolio, for example, if you would like us to exclude or limit the exposure (concentration) of any one industry, sector or company. We require that any investment restriction be documented in writing and agreed to by Highland.

In managing your assets, we are acting in a fiduciary capacity, which means that we place your interests before our own and that we can only make decisions that are consistent with your stated goals and objectives. This assumes a higher level of responsibility than suitability only.

The majority of our portfolio strategy is executed on a discretionary basis (see Item 8 below). In special circumstances, including alternative investments, we provide investment recommendations on a non-discretionary basis (prior written and/or verbal consent is required).

Portfolio management services may include the following:

- Passive/index oriented exposures
- Actively managed mutual funds, other third-party managers, and special situations
- Illiquid alternative investments (hedge funds, private equity partnerships, real estate partnerships, and fund of funds)

The use of these third party advisors, partnerships, and pooled investments typically requires a separate agreement or subscription documents (Private Placement Memorandum) between you, our Client, and the third party advisor. We do not invest directly in these assets or securities with our investment discretionary authority.

3. Limited Scope Consulting Services:

a. Wealth Picture

The Wealth Picture is a limited scope, fixed fee financial consulting engagement, composed of the Wealth Clarity Diagnostic, Risk Sensitivity Profile, the Ideal Outcomes conversation and a gap analysis. We describe it as follows:

Your wealth picture provides clarity. Together we'll identify the challenges, barriers and risks that stand between you and your goals and help you gain a complete understanding of your current financial situation. Your Wealth Picture can provide peace of mind by giving you a clear idea of where you stand.

b. Wealth Roadmap

The Wealth Roadmap is also a limited scope, fixed fee financial consulting engagement, but with a concrete plan of action, the Wealth Roadmap takes the Wealth Picture to the next level. We illustrate it this way:

In designing a client's Wealth Roadmap we address the gaps identified in our gap analysis and suggest courses of action to bring clients closer to their goals. Covering more than just financial topics, the Wealth Roadmap aligns a client's wealth with their personal interests and ambitions. Your Wealth Roadmap gives you the confidence of a concrete plan of action toward your goals.

4. Comprehensive Private Wealth Management Services – “The Wealth Guide”

The Wealth Guide is Highland's most comprehensive suite of private wealth management services. The service includes:

- Wealth Roadmap (creation and ongoing monitoring) and
- Discretionary Private Wealth (Portfolio) Management

We summarize the Wealth Guide this way:

Success is a journey, not a destination. Over time, priorities can change and new challenges may arise...and we will be there with you, acting as your Wealth Guide. We will provide guidance and direction as you manage wealth's complex web of decisions and trade-offs. We'll help you react to change and create a new plan of action, providing you with a sense of ease, knowing that your finances are once again under control.

As your Wealth Guide, Highland is a committed partner, helping restore peace of mind as your needs evolve.

We make the following tools and/or services available to you, in conjunction with limited scope consulting or as embedded within the Wealth Guide:

- **Wealth Clarity Diagnostic:** This is a ten-question survey that seeks to determine how well a client's current method of handling their finances matches their situation and needs.
- **Risk Sensitivity Profile:** This tool is a critical component of determining investment suitability. Highland employs a series of quantitative and qualitative measures to assess a client's sensitivity to various market and investment risks. We use this tool with every client who uses our portfolio management / private wealth management services.
- **Ideal Outcomes:** This is a questionnaire that Highland developed to inspire candid conversations with its clients about the outcomes they want with their life and their resources. It seeks to clarify and document personal, professional, and financial goals.
- **Gap Analysis:** This is a personalized review and assessment of a client's present financial circumstances, related to a specific goal or series of outcomes. It illustrates how various scenarios can influence a client's financial independence, and bring clarity to decisions that a client may face.
- **Other Consulting (as we may mutually agree), such as:**
 - Administrative consulting, if requested
 - Advice on asset allocation
 - Periodic, limited investment oversight and advice on specific assets
 - Creation and maintenance of a personal / family balance sheet; or,
 - Periodic reporting on items we manually input into our portfolio accounting software (unmanaged or unsupervised assets, typically illiquid) which are included so you can see and track them.

Fees for all services included in the Wealth Guide are based on the aggregate amount of assets under advisement by Highland (see Item 5).

Regulatory Assets under Management, as of December 31, 2011

Type	AUM in US Dollars
Discretionary	\$306,630,729.00
Non-Discretionary	\$24,696,995.00
Total AUM	\$331,327,724.00

Item 5 – Fees and Compensation

We base the fees for our Private Wealth Management Services (including financial planning, portfolio management, limited consulting and other “mutually agreed” services) on the aggregate amount of assets under management and advisement by Highland.

Asset Level	Annual Rate/Minimum Fee
Up to \$5 million	1% of assets, minimum fee of \$15,000 per year
Over \$5 million to \$10 million	0.75% of assets, minimum fee of \$50,000 per year
Over \$10 million to \$25 million	0.50% of assets, minimum fee of \$75,000 per year
Over \$25 million to \$50 million	0.35% of assets, minimum fee of \$125,000 per year
Over \$50 million	Asset fee is negotiable ¹ , subject to a minimum annual fee of \$175,000 (also negotiable)

Fees quoted are “annual fees;” the fees are billed quarterly, in advance of the service based upon the beginning of quarter valuations as provided by your custodian or as documented on investment statements, K-1’s (including current year capital calls), and other asset value summary schedules provided to us. If no updated third party statement is provided, we use the previously provided value (or the invested amount), as applicable.

At inception, the fee charged is based on the initial asset values (at the date of the agreement) and is pro-rated for additional contributions made to the “accounts” through the end of the quarter.

Fee Payment: Subject to your written authorization in the agreement with us, we will request fee payment directly from your broker / custodian (see Item 10). This means that we will notify you of the fee, assets on which the fee is based and the amount of the fee due to Highland.

Fee invoices and statements will include assets (if applicable to you) not held at your broker / custodian (such as private hedge funds, private equity or other illiquid securities). As a result, there will be a difference in the value we use for fee billing purposes and the statements that you receive directly from your broker / custodian.

¹ Assets over \$50 million are negotiated based upon a Client’s complexity, asset complexity and the breadth of the service we are asked / contracted to provide.

Contracts may be terminated by either party with written notice to the other. For agreements that are terminated by either party during the quarter, we will refund the unearned portion of the pre-paid quarterly advisory fee, promptly (within 30 days of the date of termination). Upon notice of termination, we will have no further responsibility to manage, provide services or report on your assets (as defined in the written agreement with you); however, transactions implemented prior to the date of termination will be allowed to settle. No further transactions are implemented on your behalf, and no additional advice is provided.

Limited Consulting Services (Wealth Picture or Wealth Roadmap) are provided on assets as we may mutually agree.

Unless purchased as part of our Wealth Guide service, Highland's limited scope consulting and related tools and services (as described under Item 4 above) are provided on a fixed fee basis as we may negotiate with you. Fixed fees for the Wealth Picture, Wealth Roadmap or the various tools / services range as follows:

\$5,000 to \$10,000, billed in advance of the service(s)

The actual fee is negotiated based upon complexity. If you retain us as your Wealth Guide, 100% of the fees paid for your Wealth Picture or Wealth Roadmap are credited in full against your first year Wealth Guide fees.

Portfolio or account values

We value the liquid securities in the accounts we manage at the closing price, on the valuation date, as reported by your custodian at the end of each calendar quarter for those securities which are priced by your custodian.

We value illiquid securities using one of two methodologies:

- at the "invested amount" (if they are not regularly traded; as a result, a liquid market price from an independent third party is not available;) or
- at the prior years' capital account value of the annual K-1 provided by the underwriter or sponsor of the Private Fund, plus capital calls (if any) from the date of the last K-1 or annual valuation provided.

Capital account balances do not necessarily indicate the "market value" of your interest in a Private Fund; it is an accounting of the principal contributions and distributions from your capital account within the Private Fund. The true market value of your investment interest may be higher or lower than the reported capital account value.

General Information on Advisory Services and Fees

- Our services are available to family members and friends of our employees at no fee or at fee schedules that may be lower than disclosed above. Our family / friend fee schedules are not available to our non-family / friend Clients.
- Official record of your Account(s): For performance and cost basis information (including capital gains or loss information), the “official” record keeper of your account data and information is your third-party, qualified custodian (bank, broker, trust company, insurance company, mutual fund complex, etc.). As a result, although we try to manage tax lots (in taxable portfolios) for long-term gains or losses, the official record keeper is your custodian. If you have questions on our tax lot management and how that compares with your custodian, please contact your relationship manager to discuss tax lot management, as applicable.
- Additional fees or expenses: You will pay other fees incidental to your investment accounts managed by Highland in addition to the Private Wealth Management Advisory Fees (described above) that you pay to us. We do not participate directly or indirectly in any of the following fees that you pay to others:
 - Brokerage commissions and other transaction fees
 - Custodian annual account and administrative fees such as wire transfer and electronic funds processing fees
 - Charges imposed by custodians, brokers, third party investment and other third parties, including but not limited to:
 - Advisory fees and administrative fees charged by Mutual Funds (MF) and Exchange Traded Funds (ETFs)
 - Advisory fees charged by sub-advisers (if any are used for your account)
 - Custodial Fees
 - Front-end and deferred sales charges
 - Commissions or mark-ups / mark-downs on security transactions
 - Third party incentive fees

Other Items in this Brochure provide additional information and disclosure related to “other costs” you may incur. Please see Item 12.

Item 6 – Performance-Based Fees and Side-By-Side Management

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a Client account (so-called performance-based fees). Our advisory fee compensation is charged only as disclosed above (Item 5).

Note: Some of the third-party money managers or private funds that we recommend you invest in, subject to your qualification as a Qualified Client, may charge you a “performance or incentive fee” based upon the assets that you have invested with them.

Highland does not participate, directly or indirectly, in the performance-based or incentive fee charged by any third party money manager or Private Fund to whom we introduce our Clients.

Item 7 – Types of Clients

Our services are provided to the following types of Clients:

- Individuals and families
- Retirement & Education Accounts (IRA, 401k, 529 plans)
- Trusts and Private Foundations
- Private business entities owned and controlled by our individual Clients (such as Limited Liability Companies, etc.)

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

Methods of Analysis

We formulate our investment advice to Clients by assessing portfolios and securities through Strategic, Tactical, Fundamental, Technical and Thematic analyses. Each term is defined below:

Strategic: A method of evaluating a portfolio and/or its asset allocation using mid- to long-term projections (typically 3 – 5 years) of investment performance, asset class weightings, and domestic and global economics, which helps determine overall portfolio strategy and asset allocation for a longer time frame.

Tactical: A method of evaluating a portfolio and/or its asset allocation using shorter-term projections (typically 3 – 6 months) of investment performance, asset class weightings, and domestic and global economics and events, which may suggest near-term underweights and overweights relative to strategic portfolio asset allocation targets.

Fundamental: A method of evaluating securities that entails attempting to measure intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect a security's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial condition and management).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with a security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell).

Technical: A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity.

Thematic: A method to keep track of “big picture” investment-related subjects which may cause us to adjust asset allocation targets and/or exposure to specific investments.

We utilize these analysis methods in the context of constructing our overall investment strategy and specific portfolio management decisions.

Sources of Information

Information we use to provide investment advice includes, but is not limited to the following:

Software / screening systems

- Presentations / conferences
- Periodicals (books, websites, magazines)
- Network of industry contacts
- Annual reports, prospectus and offering documents, filings with the Securities and Exchange Commission
- Due diligence reviews by Highland's research analysts on private securities, funds or products and Third Party Money Managers

Investment Strategies

The core philosophy of our investment strategy is diversification. This is implemented through an analysis of historical asset class performance data. We believe that 90% of the variability in performance return comes from asset allocation decisions. Once the asset allocation decision has been made, we employ passive (also called index) strategies, active management, and alternative assets to create the best risk and return profile, based on your unique goals and objectives and portfolio constraints.

We categorize Client portfolios into one of the following risk profiles:

- Aggressive
- Growth-oriented
- Balanced
- Income-oriented
- Conservative

We allocate investment funds across the following asset classes:

- Traditional:
 - Cash
 - Fixed income
 - Domestic equity
 - Foreign equity
- Alternatives:
 - Real Estate
 - Natural resources
 - Private equity
 - Hedge funds

We invest your assets in the following manner:

- Long-term purchases: purchases that are held for one full year or more
- Short-term purchases: purchases that may be sold within one year
- Trading: if market conditions warrant
- Shorting: if market conditions warrant (very limited use)
- Margin: Highland does not employ margin as an investment strategy, although Clients may use margin for short-term borrowing purposes. Margin increases portfolio risk due to the borrowing of assets from your broker / custodian. You pay margin “interest” to the broker / custodian and, if the market value of your collateral securities falls, you may be asked to deposit more cash or securities (a “margin call”) or the broker may sell securities in your account to pay for the loan balance (subjecting you to losses on securities held and the potential for tax liability).
- Covered options: when a Client has a large concentration of their net worth in a single security (typically at low cost basis) or they have restricted securities pursuant to Rule 144A (under the Exchange Act) which restricts the amount of shares that may be sold at any one time
- Private Funds or Third Party Money Managers: based upon our assessment (investment and operational due diligence) of the Private Funds / Third Party Money Managers, including our initial assessment and ongoing periodic review and assessment

Risk of Loss

Highland prides itself in working closely with Clients to do the best job possible of aligning their risk tolerance with that of the specific investments we may recommend. We also take the time to educate Clients on the potential upside opportunities and downside risks of particular strategies and investments. That said, investing in securities through Highland (or any financial services professional) involves risk, including the potential for partial or entire loss of your investment. Unpredictable global economic and political events may influence securities markets and the value of your investment assets. Although we do our very best to meet your goals, objectives and risk tolerance, we do not directly or indirectly assure you of any level of performance or investment return or guarantee that we will be able to meet your objectives.

Item 9 – Disciplinary Information

As of the date of this Brochure, we do not have any items to disclose to you for Highland or any of our management persons (executive officer or person with a similar status or responsibility).

Item 10 – Other Financial Industry Activities and Affiliations

As of the date of this Brochure, we do not have any other financial industry activities or affiliations to disclose to you for Highland or our management persons.

Item 11 – Code of Ethics

Highland and its employees follow our own advice. As a result, we permit our employees (and their family members) to invest in the same securities (stocks, bonds, mutual funds, ETFs, Private Funds, third party money managers, etc.) that we recommend to you. In addition, we may have a position in a security that is not recommended to you (due to its risk assessment, appropriateness for the employee or family account (and not suitable for a Client), among other variables that may occur over time. Likewise, we may recommend the purchase of securities in your account(s) that Highland and its employees would not purchase for its own account(s) for the same reason.

We prohibit trading for employees until all Client transactions have been completed for the day. Employee personal transactions in covered securities (a defined term in policies and procedures, including stocks, bonds, ETFs, etc.) must be pre-approved by our Chief Compliance

Officer (or designee). Our CCO (or designee) monitors employee trading on a monthly and quarterly basis. We also require the following information from our employees, both initially upon hire and on an annual basis:

- Identification of all members of an employee's household, and any restrictions that may be imposed upon them with respect to issuers of publicly-traded securities
- All beneficial ownership brokerage accounts of the employee
- All securities holdings of the employee and their immediate family members
- All non-custodied securities (those in certificate form or book-entry form at the issuer)

On a quarterly basis (within 30 days of the date of the quarter end) each employee of Highland must attest to the following:

- Whether they have beneficial ownership, direct or indirect influence or control of securities in covered accounts
- Reportable transaction activity, if any
- That reportable transactions comply with the restrictions contained in Highland's Employee Trading Policy

Our Employee Trading Policy is identified in our Code of Ethics (the Code), which addresses subjects including but not limited to:

- Ethical business conduct (consistent with our role / position as a fiduciary)
- Necessity of attesting to the receipt, review and understanding of the Code
- Prohibitions on Insider Trading and rumor mongering
- Personal securities reporting / disclosures
- Gifts, entertainment, gratuities
- Political contributions (pay-to-play)
- Private treatment of Client non-public and personal information

If you would like a copy of our Code, please contact our Chief Compliance Officer, Jeff Edgbert at 425-739-6500 or jeff@highlandprivate.com.

Item 12 – Brokerage Practices

For certain of our Clients we have both investment and brokerage discretionary authority.

Brokerage Discretionary Authority

When you provide Highland with brokerage discretionary authority, we have your permission to place those transactions we determine are suitable and appropriate for you (that we actively buy or sell for your account(s)). Our discretion allows us to determine what to trade, and where and when to trade it. We primarily use our brokerage discretionary authority for

individual fixed income security transactions and for large equity transactions (when we implement a broad change in our allocations or when we rebalance portfolios).

Considerations related to the selection of a broker

We are mindful of our fiduciary obligation to seek to achieve “best execution” when selecting brokers to execute your transactions, based upon the specific facts and circumstances of each transaction (see also, “Recommendation of a Broker”, below).

Best execution is not explicitly defined; it is a concept that includes a number of variables (security, size of the transaction, purchase or sell, liquidity, price, market, trading costs, et al). We are not necessarily obligated to select a broker or dealer solely on the basis of commission cost, even if that broker provides execution quality comparable to other brokers or dealers. Among the things we examine in evaluating execution quality are:

- Our experience with that broker
- Reliability and financial stability
- Responsiveness and willingness to negotiate price / provide execution services
- The execution of our orders
- Settlement and error correction capabilities (including the number of errors)
- Availability of securities to borrow for short sales (if used)
- The markets for the security (where is the security traded)
- Research or other products and services provided to Highland (so-called “soft dollars.”)

Non-Discretionary Accounts

In some cases, you may grant Highland a limited power of attorney to trade in accounts where we do not have investment discretionary authority. Subject to your verbal or written permission, Highland can place transactions in such non-discretionary accounts at your designated securities broker, dealer or custodian. Trade orders may be placed as market orders (equities, ETFs), as quoted (fixed income securities), or at net asset value (for mutual funds, as determined by the mutual fund or the mutual fund’s administrator). We will only place the transactions for your non-discretionary account at your broker / custodian (see “directed brokerage” below).

Third Party Money Managers

TPMMs will typically place all transactions for your account at your broker / custodian, subject to their obligation to you to seek best execution. As custodians typically charge fees for transactions settled to your account(s) which are placed with outside brokers (“trade-away

transactions”), TPMMs will most often choose your custodian as the broker who provides the best execution on a specific transaction when they evaluate best execution considerations versus the trade-away fee. However, TPMMs may choose to trade away from your custodian when they believe (in their sole determination) to do so is in your best interest. As a result, in addition to the trade-away fee described below, you may pay an additional fee to the broker/dealer used for your transactions.

Recommendation of a Broker / Custodian

Although we work with other broker/dealers and custodians, we recommend the following firms to our Clients who need such services:

Charles Schwab & Co. Inc. (“Schwab”), and
Fidelity Investments (“Fidelity”)

We have independently evaluated each broker and the brokerage / custodial services that are available to our Clients and, as a result, determined that the following items are of value to both Highland and our Clients when compared to other brokers or custodians:

- Mix of brokerage execution services
- Research availability
- Variety of securities that can be purchased or sold (including a large number of mutual funds) on a load waived or no-load basis, with many also on a no-transaction fee basis
- Access to mutual funds or other investments that are otherwise generally available only to institutional investors, or would require a significantly higher minimum initial investment
- The fact that these recommended brokers do not charge for custodial services for assets held at Schwab and Fidelity

We primarily (but not exclusively) recommend Schwab.

We participate in a program called “Schwab Advisor Services” which is sponsored by Schwab and made available to Highland and other investment advisers. We also participate in a similar program sponsored by Fidelity called Fidelity Institutional Services. By participating in these programs, and through custody of Client assets with them, Highland receives access to tools and services, such as:

- Software and other technology that provide access to Client account data
- Facilitation of trade execution and the allocation of aggregated (blocked) orders for multiple accounts
- Research, pricing and other market data

- The payment of Highland's fees directly from your account (subject to your written authorization)
- Assistance with back-office functions, recordkeeping and Client reporting
- Services related to the management and development our business, such as compliance, legal, and business consulting
- Educational events or occasional business entertainment of our employees

Although these tools and services may not directly benefit each Client account, they do assist in the efficient and effective operation of our business, which benefits (directly or indirectly) all Highland Clients.

Commissions

In the programs provided by Schwab or Fidelity to advisers like Highland, we generally do not negotiate the commissions you pay on a transaction-by-transaction basis. There may be unique circumstances where Highland "negotiates" with Schwab or Fidelity the commission per share or per transaction; however, these are on an exception basis. There are flat commission charges for various types of securities transactions; as a result, the account(s) we have established on your behalf with Schwab and Fidelity will be charged these transaction charges.

Highland has negotiated confidential pricing schedules with Schwab and Fidelity for its client accounts, which we provide to our clients in a separate document. Commissions you pay to Schwab or Fidelity (if any) are disclosed on the confirmation of each security transaction we place on your behalf. These confirmations are sent directly to you by Schwab or Fidelity and we receive a copy of them.

Certain mutual funds we purchase or sell for your accounts are provided to us (and you) on a no-load or load-waived basis. In addition, certain mutual funds are available to us (and you) for no transaction fee; as a result the confirmation may show "no commission" for a particular transaction.

Soft Dollars

As of March 1, 2012, Highland no longer receives soft dollar credits from broker/dealers. Highland expects to exhaust all remaining accrued soft dollar credits by the end of second quarter 2012.

Soft dollar credits allow us to pay (through Client trade commissions) for products and services we receive via soft dollar credit accounts established with broker/dealers. The following broker/dealers provided us with Soft Dollar credits through February 29, 2012 for research products and services:

- Schwab, and

- Bridge / Instinet (also called an electronic communications network)

Fidelity does not provide Highland with soft dollar credits).

The use of soft dollars is a conflict of interest because it allows us to use soft dollar credits (commission charges paid by Clients) in place of Highland's hard dollars for products and services received. To mitigate this conflict, we review our soft dollar brokers, their execution, the services or benefits received on a semi-annual basis to ensure the benefits received are reasonable in light of your commissions used to generate those credits. Note that we only apply soft dollar credits to research-oriented products and services that are intended for our use in our research services. Not all Clients who pay for the soft dollars will receive the benefit of the soft dollars that they pay. However, it is our intent to utilize the soft dollar services for the benefit of all of our Clients and not just those who pay for them. We do not allocate soft dollar benefits to specific Client accounts.

In evaluating our 2012 soft dollar credit usage, we have identified certain services we receive that are "mixed use," meaning the services we receive benefit Highland both for research and non-research services. As a result, we make a good faith determination of the portion of the service that can be paid for through soft dollars and the portion that is not research services (which is paid by Highland via check or hard dollars).

Examples of products and services we receive which are paid for in part or wholly through soft dollar credits include:

- Portions of our Portfolio Accounting software
- Financial database software / service
- News and Research materials prepared by others (unaffiliated to Schwab or Bridge / Instinet)
- Financial publications, economic surveys, data and analysis
- Portfolio evaluation services
- Pricing / order entry services, hardware and software used for research or investment decision making purposes

Our use of soft dollars is guided by Section 28(e) of the Securities Exchange Act of 1934. This section is a non-exclusive safe harbor, which means that we are permitted to utilize Client commissions to pay for the types of research (and execution) services described above. As a result, we evaluate that the commissions we pay to the soft dollar brokers are reasonable in relation to the value of the brokerage and research services provided to Highland (which are used in our decision making process) for your account(s). In making such a determination, we consider not only the transactions over time, but also the value of the services provided in our performance of our overall responsibilities to all Clients. In some cases, the commissions charged by these brokers may be higher or lower than another broker would have charged absent the soft dollar services provided.

We do not exclude a broker or dealer from receiving orders from us for Clients simply because they have not provided research, other services or products to Highland via soft dollars.

Types of Brokerage Activity

1. Discretionary Brokerage / Prime Brokerage:

Although we recommend Schwab and Fidelity, we also have the “discretionary” authority to pick other brokers when we believe that doing so assists us in achieving best execution for your transactions. We place transactions at other brokers only for those Client accounts that qualify and only when appropriate; these are called “Prime Broker Transactions.”

There are a number of factors we consider when determining to trade via the Prime Broker network² in lieu of Schwab or Fidelity; these include:

- Account size (Schwab and Fidelity impose a minimum account size of \$130,000)
- The availability of different inventories of securities (bonds) from underwriters or market makers, thus affording Highland the opportunity to negotiate price and find securities that may not be available from Schwab or Fidelity
- Brokers’ experience and expertise
- The availability of soft dollars (see description, above)
- Overall trade cost (prime broker transactions are typically executed on a principal basis, with a dealer mark-up or mark-down included in the net trade amount. Schwab’s and Fidelity’s trade-away fee also applies in addition to the mark-up or mark-down)

2. Directed Brokerage

We can only trade on a Prime Broker basis those accounts that meet the minimum Prime Broker requirement imposed by Schwab or Fidelity. Accounts not meeting these requirements will be considered to be “directed” with all brokerage transactions placed at Schwab or Fidelity without regard to other brokers or dealers. As a result, some of your accounts may be traded on a Prime Broker basis, while others are not.

For directed brokerage transactions placed at Schwab or Fidelity only, you must realize that the transactions will only be aggregated (or blocked) with those of other Client accounts at Schwab or Fidelity. This may limit our ability to negotiate price and obtain volume discounts when compared to Prime Brokerage transactions; as a result, best execution may not be achieved and ultimately, this may cause you to pay higher overall costs for execution services.

² Prime Brokers are part of an electronic network that facilitates a more efficient (and electronic process) to place, and settle the transactions across the prime broker network. They are regulated by the SEC and have a mandatory account size restriction of \$100,000. Brokers like Schwab can have policies which increase a minimum account size for prime broker transactions, but they cannot qualify below this standard limit.

In addition, there may be variances between Clients who direct us to use other brokers or custodians as compared to Schwab or Fidelity (commissions may be higher or lower).

If you would like to direct brokerage to a broker / custodian other than Schwab or Fidelity, Highland will consider that request on a case-by-case basis.

3. Block Trading

Block trading (the aggregation of transactions in a single security among multiple accounts) is one method we can use to meet our fiduciary obligation of best execution. When blocking transactions for multiple Clients, the size of the transaction is larger than placing all the transactions individually; this allows Highland to negotiate the price of the security within the spreads available at that time. These may be either purchases or sales across all investment and brokerage discretionary accounts and by custodian. Block trading derives certain benefits to the participating Clients in the block; typically for equities, exchange traded funds or bonds. As mutual funds are purchased or sold at the previous day's closing price, the benefits of block trading are not applicable. We may, but are not obligated to place block trades.

At the time we place the block transaction, we issue instructions to purchase a particular number of shares of a security (stock, bond or exchange traded fund) and all participating Clients and their pro-rated shares of the block are known at the time of the transaction. Should we not receive the full amount of the request, or if multiple executions are required, the following apply:

- If the full amount we requested is not obtained (and we determine to stop trading), we will pro-rate the purchased shares equally across all participating accounts. However, if employee transactions are included in the block and only a partial fill is completed, employee transactions are excluded (per our Code) until all Client trades are completed.
- If multiple fills occur to complete the full block, then all purchases are averaged to price and each participating Client receives their full allocation at that average price.

Block transactions may be aggregated across Schwab and Fidelity and transacted at a third party broker on a Prime Broker basis, including Schwab. We do not, however, have the authority to negotiate commissions on a transaction-by-transaction basis. In our evaluation of your needs, we will determine when to trade on a Prime Broker basis and the accounts to include in a blocked transaction, if any.

For your accounts held at Schwab or Fidelity, block trading may occur in the same security on a mini-block basis across multiple accounts if the accounts do not meet the Prime Broker minimums.

4. Prohibited Brokerage Practices

Agency or Agency Cross Transactions: Cross transactions and agency cross transactions are generally defined as transactions that are sold from one Client account and purchased into another Client account for a commission (or no commission). Highland cannot place cross or agency cross transactions between your account(s) and the accounts of other Clients because we are not a broker/dealer or affiliated (under common control or ownership) with a broker/dealer.

Principal Transactions: We also do not place or request a broker to place principal transactions; however, we may purchase securities from certain broker/dealers or custodians from their inventory (principal transactions.) In this context, Highland does not:

- Place a transaction as principal for its own account or any other party or purchase or sell securities from or to any advisory account
- Sell a security from one Client account and purchase that security into another Client account

Brokerage for Client Referrals: We do not direct or recommend brokers (or use brokers) in exchange for Client Referrals. We evaluate and use brokers (including Prime Brokers) as described above.

5. Trade Errors

Highland has a fiduciary responsibility related to the correction of trade errors.

We endeavor to catch all errors before settlement; typically errors are corrected by a simple cancel (of the error trade) and re-bill (or re-run of the trade as it should have been originally placed). Examples of errors include (but are not limited to) trades which:

- Are not legally authorized for an account
- Are prohibited by investment policy or style
- Are prohibited by the contract
- Include an incorrect security or transaction (buy vs. sell or vice versa)
- Are incorrectly allocated block trades

At times, a trade error will result in a “gain” in the impacted Client account (whether by Highland or a TPMM). If this occurs, the gain remains in the Client account, unless the trade violated a Client-imposed restriction (we then communicate with you to determine if the error can reside in your account).

Schwab and Fidelity also maintain and document policies and procedures relating to trade errors which occur in your accounts. If a third party (including TPMMs) causes or creates the error, that third party is responsible for the correction of the error and making your account(s)

whole, subject to their policies and procedures. Note that Schwab's error policy differs materially from Fidelity's (and Instinet's).

Item 13 – Review of Accounts

Reviews and Reviewers

Investment accounts are reviewed not less than monthly by an investment professional of Highland; accounts are also reviewed indirectly through our daily monitoring of securities held by (or recommended to) Clients by our portfolio managers and relationship managers. Reviews may also be conducted if there are changes to your personal or family obligations which cause a change in your strategies, risk tolerance or investment policy. Additional reviews may be conducted during periods of significant global or economic events and as you may request.

In addition to ongoing periodic investment account review, Highland conducts comprehensive annual financial reviews for each Client relationship. These reviews seek to encompass and address all factors relating to the Client's financial health and independence, including those listed under Item 4. Where applicable, reviews are informed by the Client's other advisors and industry professionals in practice areas where Highland does not provide that advice (legal, tax or similar).

Reports

Highland provides written investment summary reports to all investment management (private wealth management) Clients either in hard copy or via electronic delivery. These reports are provided on a quarterly basis and are in addition to and separate from the statements you receive from your broker(s) or custodian(s). Highland has hired Black Diamond Performance Reporting as a strategic outsource partner to aggregate and record Client portfolio activity and measure and report portfolio performance. Highland's portfolio managers and relationship managers review these reports.

Our reports include the following:

- Computation of investment returns for the report period
- Suitable asset-class benchmarks to assist in assessing relative performance
- Asset allocation
- Summary of assets held in the account or under our management
- Current market value and cost basis (although the custodian is the official record-keeper of cost basis information)

We recommend that you compare the information on your custodial statements / reports to those provided by Highland. You may note nominal differences in the total portfolio value

provided by your custodian when compared to our reports. This is common and can be caused by many issues, including:

- Owed but unpaid accrued interest on fixed income securities
- Trade date versus settlement date reporting
- Pricing differences (we may override prices provided by custodians)
- Dividends that have not yet been paid
- Manually priced securities included on our reports (and not held by your custodian)

Although Highland and Black Diamond use the prices on securities as provided by your custodian, should there be an odd price (as we determine) or missing pricing data, Highland and/or Black Diamond will use the services of a third-party and independent pricing service (e.g. IDC) to complete the pricing of your portfolio or to validate a price provided by your custodian. However, IDC does not price securities not held by your broker/custodian (such as Private Equity or Funds).

We request that you notify your custodian or Highland immediately if you have not received, directly from your custodian, your monthly statement.

Item 14 – Client Referrals and Other Compensation

Client Referrals

We do not pay any entity or person, directly or indirectly, for the introduction or referral of Clients to Highland.

Other Compensation

Highland recommends both Schwab and Fidelity as brokers / custodians. Highland receives economic benefits through participation in their institutional service programs (see Item 12, Recommendation of Broker/Custodian, above.) Schwab and Fidelity are independent, third-party, qualified custodians; we are not affiliated with either of these firms.

In 2012, in addition to the soft-dollar credit provided to Highland by Schwab for trade activity, Schwab provided Highland a one-time payment of \$5,000 to use for technology-related expenses, which Highland is not obligated to repay. Schwab may periodically provide partial reimbursement to Highland for technology and other administrative expenses.

Services provided by Schwab and Fidelity to you include:

- Execution of security transactions
- Custody
- Research
- Access to mutual funds or other investments that are otherwise generally available only to institutional investors, or require a significantly higher minimum initial investment

Neither Schwab nor Fidelity charge separately for custody services; they receive compensation through account holder commissions and other transaction-related fees for securities trades executed by Schwab or Fidelity or those that are settled into your accounts. Services provided to Highland include, but are not limited to, the following (not all such services benefit your particular account, including accounts that are not held at Schwab or Fidelity):

- Software and other technology that provide access to Client account data (confirmations of transactions and statements)
- Facilitation of trade execution and order allocation for multiple accounts
- Research, pricing and other market data
- The payment of Highland's fees directly from your account (subject to your written authorization)
- Assistance with back-office functions, recordkeeping and Client reporting
- Services related to help Highland manage and develop our business, including:
 - Compliance, legal and business consulting
 - Publications and conferences on practice management or business succession
 - Access to employee benefit providers, human capital consultants and insurance providers
 - The payment of the services of these providers and/or pay third-party vendors for these types of services
- Educational events or occasional business entertainment of our employees

Of course, when evaluating Schwab or Fidelity, please factor in these benefits provided to Highland when selecting your broker/dealer / custodian.

Item 15 – Custody

Highland does not have physical possession of any Client's funds or securities. We do directly debit advisory fees from your custodial account based on your written authorization to do so. We recommend that you compare the reports we provide you with those you received directly from your custodian (realizing that the official record of your account activity is the custodial report and not ours).

Item 16 – Investment Discretion

As indicated under Item 4, above, we provide investment management / private wealth management services to you on a discretionary basis (we have the authority to select the securities and amount of securities to purchase or sell for your portfolios, subject to the suitability of the decision and any restrictions or limitations that you may place on that authority). Our investment discretionary authority is documented in the written agreement we have with you and may be updated as you determine; however, we require that you provide all limitations or restrictions in writing.

Item 17 – Voting Client Securities (i.e. Proxy Voting)

Highland does not have any authority to and does not vote proxies on behalf of advisory Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios or accounts. If you request, we will provide information or our professional insight into various matters related to your proxies.

Corporate Actions: If requested, we will provide advice and input on corporate actions, especially in the cases where there are options to receive cash payments or retain ownership.

Item 18 – Financial Information

Highland does not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our Clients. In addition, neither Highland nor its management persons have been the subject of a bankruptcy proceeding.



Privacy Disclosure

OUR CONTINUING PRIVACY COMMITMENT TO YOU

Federal privacy laws (Regulation S-P) require that we explain to you how we safeguard and protect your *personal and non-public information*. This is information, that in the course of our relationship with you, we obtain, you provide or we capture; this information is generally provided to us through new account application or account opening materials that you provide from time to time in connection with our providing you with highly personalized wealth management services.

By Policy, we do not provide or sell your personal, non-public information to any party. As you might imagine, however, we rely on and share information with certain third parties whose services are necessary to enable us to provide our comprehensive services to you. Such parties may include, but are not limited to the following:

- Prime Brokers and custodians, who are not custodians or brokers for your accounts; as a result some or all of your personal and non-public information may be shared with these firms for you to receive their services
- Your other professional service providers (i.e. attorneys and accountants), but only with your explicit consent

We may also share your personal, non-public information when we are required to do so (upon regulatory examination by the Securities and Exchange Commission, by Washington State or upon subpoena or as otherwise as required by law, regulation or judicial process).

Since we do not “sell or otherwise provide” your personal, non-public information, there is no “opt-out” provision in this Privacy Disclosure.

To safeguard and protect your personal, non-public information, we maintain physical and electronic security safeguards. These include:

- Access security to our building before and after normal work hours and weekends / holidays
- Locks on our office
- Technology security on computers and our file servers
- Locks on file cabinets
- Encryption protocols on backed-up data and our backed up servers or email if we communicate / transmit your information in this manner

Further, all employees are responsible for adhering to our Code of Ethics which includes Regulation S-P compliance. We also conduct initial training for all new employees on the protection of personal, non-public client information and annually thereafter.

We will provide you with an update to this Privacy Disclosure initially (within this ADV Part 2 A / B) and annually thereafter. If you have any questions about our systems or privacy issues, feel free to contact us at the address and telephone number on the cover of this brochure.

Part 2B of Form ADV: *Brochure Supplement*

Item 1: Cover Page

This brochure supplement provides information about our employees that provide investment advice to Clients. The following individuals are the Investment Professionals of Highland Private Wealth Management:

John C. Christianson, CFA

Colleen T. Kroeger, CFA

Ben R. Johnson, CFP®

Daniel J. McGilvray, CFA

The contact information for each individual is the same (we have only one office):

Highland Private Wealth Management, LLC
305 - 108th Avenue NE, Suite 102
Bellevue, WA 98004

June 6, 2012

You should have received a copy of the Part 2 A brochure as we include this supplement with all copies. Please contact Jeff Edgbert, our Chief Compliance Officer, if you did not receive Highland's Part 2 A Brochure, or if you have any questions related to the brochure or this supplement.

Additional information about our investment professionals is available on the SEC's website at www.adviserinfo.sec.gov

Item 2: Educational Background and Business Experience

Name: John C. Christianson, CFA³

Born: 1961

Education after High School:

B.A., Business Administration, 1983, Washington State University, Pullman, WA

Certified Public Accountant (CPA, inactive), 1987

1998, CFA (CFA Institute)

Employment History, Past 5 years:

Highland Private Wealth Management, 1999 – Present

President / Chief Executive Officer; Portfolio Manager; Investment Adviser Representative;
Chief Compliance Officer

Name: Colleen T. Kroeger, CFA

Born: 1973

Education after High School:

B.S., Accounting, 1995, Miami University, Oxford, OH

1995, Certified Public Accountant (inactive)

2001, CFA (CFA Institute)

Employment History, Past 5 years:

Highland Private Wealth Management, 2007 – Present

Director of Client Care; Senior Associate; Investment Adviser Representative

Laird Norton Tyee Asset Strategies, 2000 – 2007

Client Advisor

³ The Chartered Financial Analyst Certification: is an international [professional certification](#) offered by the [CFA Institute](#) (formerly AIMR) to [financial professionals](#) who complete a series of three [examinations](#). To become a CFA, candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFAs are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

Name: Ben R. Johnson, CFP®⁴

Born: 1972

Education after High School:

B. A., Finance and Economics (dual major), 1994, North Park University, Chicago, IL

2000, Certified Financial Planner, CFP Board of Standards

Employment History, Past 5 years:

Highland Private Wealth Management, 2011 – Present

Director of Client Care

Laird Norton Tyee Asset Strategies, 2004 – 2011

Client Advisor

Tyee Asset Strategies, 2002 – 2004

Client Analyst

⁴ **Certified Financial Planner:** The CFP® Certification Examination tests your ability to apply your financial planning knowledge to client situations. The 10-hour exam is divided into three separate sessions. Because of the integrated nature of financial planning, however, each session may cover all topic areas. All questions are multiple choices, including those questions related to case problems. **Meet the Experience Requirement.** At least three years of qualifying full-time work experience are required for certification. Qualifying experience includes work that can be categorized into one of the six primary elements of the personal financial planning process. Experience can be gained in a number of ways including: the delivery of all, or of any portion, of the personal financial planning process to a client; the direct support or supervision of individuals who deliver all, or any portion, of the personal financial planning process to a client; teaching all, or any portion, of the personal financial planning process. **Pass Fitness Standards for Candidates and Registrants and Background Check.** Applicants for CFP® certification must pass CFP Board's [Fitness Standards for Candidates and Registrants](#), which describe conduct that will or may bar an individual from being certified. For example, conduct that is presumed to be unacceptable includes one personal or business bankruptcy filed within five years prior to completing the CFP® Certification Application. Individuals that have filed for bankruptcy in that time frame must petition CFP Board's Disciplinary and Ethics Commission for reconsideration of the presumptive bar. CFP Board's Disciplinary and Ethics Commission may, at its discretion, grant or deny the petition. After you have met the education, examination and work experience requirements, you must disclose past or pending litigation or agency proceedings and agree to abide by CFP Board's [Code of Ethics and Professional Responsibility](#), [Rules of Conduct](#) and [Financial Planning Practice Standards](#). A background check will also be conducted.

Name: Daniel J. McGilvray, CFA

Born: 1973

Education after High School:

B.S., Business Administration, 1995, University of Colorado, Boulder, CO

MBA, Finance, 2003, Indiana University, Bloomington, IN

2006, CFA (CFA Institute)

Employment History, Past 5 Years:

Highland Private Wealth Management, 2006 – Present

Director of Investment Research; Senior Research Analyst; Investment Adviser Representative

Item 3: Disciplinary Information

There are no disciplinary events or disclosures for us to make for any of our investment professionals (investment adviser representatives). This statement applies to:

John C. Christianson

Colleen T. Kroeger

Ben R. Johnson

Daniel J. McGilvray

Additional information on these individuals is available from the SEC's public disclosure website (see the cover page of this Brochure Supplement).

Item 4: Other Business Activities

There are no outside business activities for any of our investment professionals (investment adviser representatives). This statement applies to:

John C. Christianson

Colleen T. Kroeger

Ben R. Johnson

Daniel J. McGilvray

Item 5: Additional Compensation

There are no outside business activities, as a result there is no outside or additional compensation received by the following investment professionals (investment adviser representatives). This statement applies to:

John C. Christianson

Colleen T. Kroeger

Ben R. Johnson

Daniel J. McGilvray

Item 6: Supervision

At this time, John Christianson, as the President and CEO of Highland, has the responsibility to supervise those employees we deem to be investment professionals (and who are registered as investment adviser representatives).

Mr. Christianson discharges this duty through his day-to-day interaction with our investment professionals, through his:

- *Monitoring securities we hold for Client accounts
- *Being an active member of our investment committee
- *Reviewing of Client accounts
- *Regular interaction with our Clients

In addition, Highland and Mr. Christianson rely heavily on the management expertise of Robert Wuflestad to:

- *Create and follow strong operational policies and procedures
- *Recruit and mentor our human capital
- *Develop and expand strategic relationships
- *Monitor key business metrics including Client satisfaction

Mr. Christianson and Mr. Wuflestad can be reached at 425-739-6500 should you have any questions regarding our Advisory Representatives or the manner in which their activity is supervised.