

# Highland Capital Advisors, LLC

## Retirement Consulting

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This Brochure provides information about the qualifications and business practices of Highland Capital Advisors, LLC (“HCA”). If you have any questions about the contents of this Brochure, please contact us at [compliance@hcportfolios.com](mailto:compliance@hcportfolios.com).

While the United States Securities and Exchange Commission (SEC) and state securities authorities require the preparation and submittal of this Brochure, they do not approve or verify the contents. HCA is a Registered Investment Advisor. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about HCA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. As a result, a Brochure was prepared in 2011 to comply with the SEC’s new requirements and rules.

The Brochure was updated in 2012 and 2013 with no material change. The Brochure is now being updated effective December, 2013. This update also contains no material changes. The changes are simply meant to provide additional clarity and specificity to certain practices.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting [compliance@hcportfolios.com](mailto:compliance@hcportfolios.com).

Additional information about HCA is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

HCA is an investment advisory firm registered with the SEC. Our primary business is to provide non-discretionary consulting services (“Retirement Consulting”) to retirement plan sponsors and other investors. This Form ADV Part II is offered to potential and existing clients to provide an understanding of this service. In certain cases, HCA will accept limited discretion to assist certain clients with the implementation of their investment plans. That service is the subject of a separate Form ADV Part II titled “Implemented Solutions”.

HCA was formed in 2005. HCA’s principal owners are William S. Small and Richard C. Wyman.

#### **Services**

HCA helps facilitate a prudent investment process by consulting with clients about their investment decisions and makes recommendations based on client objectives. Available services include:

- Meeting with clients to understand needs, investment objectives and risk tolerances
- Assisting with the drafting an investment policy statement (IPS)
- Assisting with the design of an investment menu or strategic asset allocation
- Assisting with the selection and retention of appropriate funds / managers
- Assisting with the periodic monitoring of investment performance
- Cash flow forecasts and analysis

HCA adapts its service to fit every unique client situation and specific services are identified in each client's service agreement. These services will be provided until either party terminates the agreement or, if applicable, when the project is complete.

HCA’s advice is restricted to open end funds, collective trust funds, variable annuities, money market funds, 3<sup>rd</sup> party separate account managers and other “non-covered” securities under our Code of Ethics. HCA does not provide specific advice with respect to individual stocks, bonds, derivatives or other “covered securities” under our Code of Ethics. In every case, clients have the ultimate authority over all investment decisions and HCA accepts no discretion over client portfolios.

HCA does not manage or continually supervise client portfolios or the underlying individual security transactions that occur in client portfolios through funds or 3<sup>rd</sup> party managers. Assets in client portfolios are not considered regulatory “assets under management”.

#### **Plans covered by ERISA**

For Plans covered by ERISA, our advisory role is to provide advice of a fiduciary nature within the limited scope of Section 3(21). We do not have discretionary authority or control over the plan assets or the administration of the plan. We do not act in the capacity of Sponsor, Trustee, Plan Administrator or Investment Manager. HCA’s role is to provide analyses, performance reports, searches and related recommendations at the direction of the client. In every case, the client has the sole authority to determine the course of action.

## **Item 5 – Fees and Compensation**

Advisory service fees are based on a combination of fixed fee or percentage of assets charges. Fees for non-advisory work (see item 10) may be on some other basis such as hourly charges. All fees are subject to negotiation. Fee structures and levels are determined on a client-by-client basis considering the size and complexity of the Plan, the scope of services and client preferences. We typically pass through travel and other direct expenses without markup. Specific fee terms are established in each client's written agreement with HCA.

HCA will generally bill for services on a quarterly basis in arrears. Clients can pay these fees directly or, where permitted by law, authorize their custodian to pay the fee from Plan assets. The source of payment has no bearing on the level of fees. Percent of asset fees shall be based on the market value of Plan assets following each billing cycle. In instances where the market value is not ascertainable at the time of billing, HCA will utilize the most recently available value to make this determination. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

In addition to HCA's fees, clients may incur certain fund fees, transaction fees and other charges imposed by record-keepers, custodians, brokers, fund managers and providers they utilize to implement their investment plan (specific mutual fund and exchange traded fund fee information can be found in the fund's prospectus). All such fees are in addition to HCA's fee, and HCA does not receive any of these other fee items.

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

HCA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

HCA provides services to retirement plan sponsors (corporate, Taft Hartley, non-profit), foundations, endowments, individual investors and high net worth individuals.

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

In support of a prudent investment process, HCA provides analysis and advice with respect to pooled investment funds (Mutual Funds, Exchange Traded Funds, Collective Trust Funds, Variable Annuities, etc.) and 3<sup>rd</sup> party Separate Account Managers. We evaluate portfolio strategies using a variety of risk frameworks based upon client needs. These include mean variance optimization, asset / liability management, monte-carlo simulation, value-at-risk, cash flow forecasting, horizon alignment and other techniques.

In performing our work, we rely on 3<sup>rd</sup> party data services, fund prospectuses or offering documents, institutional investment analytic systems and proprietary analysis. The work HCA provides is meant to supplement, not replace the critical disclosure documents associated with pooled investment products. These documents provide important additional disclosures that each client should consider.

Investment performance is a unique function of each client's Plan environment, asset allocation and underlying fund / manager selections. HCA does not have a performance record that can be shared, advertised or otherwise used to promote our business. Each client's performance is uniquely their own.

In all cases, investing in securities involves risk of loss that clients should be prepared to bear.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HCA or the integrity of HCA's management.

HCA has no information applicable to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

The services described above are the primary business of HCA. However, we may also work with clients on a variety of related employee benefit consulting topics, including: plan design, competitive practices, adequacy, compliance, vendor selection other related aspects of their employee benefit programs that do not include giving specific investment advice. Such services (broadly referred to as "Benefit Consulting") vary widely by client and are not covered by this ADV. Across the firm, these services vary significantly year to year and are often of a project nature. We typically expect that between 10% and 30% of our time is spent on such activities in a given year.

### **Item 11 – Code of Ethics**

HCA has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All HCA's supervise employees are required to acknowledge and follow HCA's Code of Ethics. Below are selected highlights from the Code of Ethics which any client or prospect can request at any time by contacting: [compliance@hcportfolios.com](mailto:compliance@hcportfolios.com).

#### **Personal Security Trading**

When an advisor recommends the purchase or sale of securities to a client in which they (or their other clients) have a position of interest, a potential conflict exists which needs to be carefully monitored, managed and disclosed. In doing so, certain classes of securities ("non-covered securities") or transactions ("excludable transactions") are deemed to be excludable under the law and under our Code of Ethics.

HCA does not make client recommendations regarding the purchase or sale of individual stocks, bonds, Initial Public Offerings (IPOs), private offerings or other "covered securities" (open end funds and money market funds and other "non-covered securities" are the only types of securities we recommend for clients). Thus, we anticipate little opportunity for overlap between client recommendations and a personal transaction of covered securities that a Supervised Employee of HCA might make. Nevertheless, HCA monitors Supervised Employee investment activity to assure no unanticipated client conflicts of interest arise.

Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. HCA is not dually registered and does not have an affiliated broker-dealer. Further, HCA does not maintain a proprietary trading account of any kinds – all assets are invested in cash equivalents.

#### **Vendor Sponsored Activity**

Retirement plan clients are typically served by other 3rd party "Vendors" such as fund managers, record-keepers, accountants, etc. HCA receives no direct compensation of any kind from these vendors. HCA will occasionally attend educational meetings, seminars or conferences sponsored and paid for by one or more of these vendors that may or may not share a business relationship with a HCA Client. The sponsorship of these events can be secondary (e.g., vendor sponsorship of an industry conference such as CIMA or ASPAA) or primary (e.g., a lunch meeting for HCA personnel). The cost and value of these sponsored activities is not assignable to any particular HCA client or Plan.

### **Item 12 – Brokerage Practices**

HCA clients are free to work with investment custodians, broker dealers, fund companies and service providers of their choice. HCA imposes no requirements, assumes no discretion, accepts no compensation or soft dollar benefits and makes no recommendations with respect to those selections. Further, the client's underlying 3rd party portfolio (fund) managers assume all responsibility with respect to all underlying portfolio transactions and related requirements, including best execution. HCA maintains no authority and is not a party to the execution or monitoring of those transactions.

### **Item 13 – Review of Accounts**

HCA periodically reviews client investment holdings at a frequency level of the client's choosing as enumerated in each client's service agreement. These reviews typically take the form of a written performance review delivered to the investment committee or other authorized body.

HCA does not monitor client security transactions, whether made directly by the client or by a 3<sup>rd</sup> party manager, in between these periodic reviews.

### **Item 14 – Client Referrals and Other Compensation**

HCA does not compensate 3<sup>rd</sup> party, non-supervised persons for client referrals.

### **Item 15 – Custody**

HCA does not take custody of client assets under any circumstances, nor does it take discretion over the selection of a 3<sup>rd</sup> party custodian or recommend any specific custodian.

Clients should receive at least quarterly statements directly from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. As an important safeguard, HCA urges you to carefully review such statements and compare such official custodial records to the account statements that we or other providers may provide to you, noting that our reports may vary from custodial statements based on accounting procedures, reporting dates, or the valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

HCA does not accept discretion with respect to the selection of securities, brokers, custodians, managers, advisors, record-keepers and other providers. Clients may retain this responsibility or pass them through to a 3<sup>rd</sup> party (managers, custodians, plan participants, trustees, etc.).

### **Item 17 – Voting Client Securities**

HCA does not accept discretion with respect to the exercise of client voting rights. Clients may retain this responsibility or pass them through to a 3<sup>rd</sup> party (managers, custodians, plan participants, trustees, etc.).

### **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about HCA's financial condition. HCA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.