



## **Form ADV Firm Brochure**

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**November 8, 2013**

HighTowers Advisors, LLC is an SEC-registered investment adviser. Registration as a registered investment adviser does not imply that a certain level or skill or training has been obtained. This brochure provides information about the qualifications and business practices of HighTower Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 312-962-3800 and/or [compliance@hightoweradvisors.com](mailto:compliance@hightoweradvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about HighTower Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## ITEM 2 - MATERIAL CHANGES

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This “Summary of Material Changes” describes material changes made to the last annual updated filing of HighTower’s Brochure. The most recent updated filing of this Brochure was September 13, 2013. The material changes to this Brochure, dated November 8, 2013, are detailed below:

- Item 5 – adjusted that the quarterly fee calculation is based on the number days within the period not necessarily one fourth of the annual fee.

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## ITEM 4 - ADVISORY BUSINESS

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### A. Description of HighTower

HighTower Advisors, LLC, a Delaware limited liability company ("HighTower" or "we" or the "firm"), is an investment adviser registered with the United States Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940 (the "Advisers Act"). Please note that registration with the SEC does not imply a certain level of skill or training. HighTower is a wholly-owned subsidiary of HighTower Holding, LLC, a private company. This section describes our firm, and explains the types of advisory services that we offer, including investment consulting, discretionary advisory, pre-retirement and financial planning services (together the "advisory services").

HighTower was established in September 2008, and provides investment advisory services to institutions (including ERISA and other retirement accounts and certain pension and/or Taft-Hartley plans), and high net-worth individuals. Item 7 of this brochure contains more information regarding the types of clients to which we provide advisory services. We provide these advisory services through numerous investment teams, each of which have their own advisory focus, and are driven primarily by the types of clients they service. The investment teams that comprise HighTower are set out on Exhibit 1 hereto, together with their respective areas of advisory focus. HighTower as an organization, through these various investment advisory teams, offers the advisory services.

### B. Advisory services offered by HighTower

#### **Investment Consulting/Wealth Management**

One of the ways in which HighTower furnishes investment advice is through a service we call Investment Consulting or Wealth Management. Investment Consulting begins with the obtaining of financial and other pertinent information from the Client in order to identify the financial objectives of our Client, and goals for the engagement. The investment advisory representative (an "Advisor") will use information provided by the Client to identify an appropriate strategy. . The Advisor will then provide investment recommendations to the Client, either in terms of the asset class, or specific type of security, based upon the identified strategy. The Advisor will otherwise consult with and advise the Client regarding its investments, and will provide ancillary services that are of limited scope. Investment consulting Clients do not grant HighTower any investment discretion or trading authority. Investment Consulting is obtained either through a Non-Discretionary Advisory Agreement, or Consulting Agreement. The Non-Discretionary Client Advisory Agreement is used for when a Client places assets with one of HighTower's custodians. The Consulting and Limited Advisory Agreement is for assets maintained outside of HighTower's custodians, and is also used for the purpose of non-discretionary advisory services. For more information on Investment Consulting please refer to your Consulting and Limited Advisory Agreement or Non-Discretionary Client Advisory Agreement.

#### **Discretionary Advisory**

Another way in which HighTower furnishes investment advice is through Discretionary Advisory services. Discretionary Advisory services commence with the completion of a detailed financial assessment of the Client, after which an Investment Policy Statement or other appropriate memorialization of the appropriate investment objectives (ex. Suitability profile form), will be developed ("the Investment Policy" or "IPS"). When the Investment Policy Statement or investment objectives are developed, it will be reviewed with the Client. Each Client grants investment discretion to HighTower to manage his or her assets in accordance with the objectives pursuant to a Discretionary Client Advisory Agreement.

Once the Investment Policy Statement or investment objectives are developed and reviewed, portfolios are designed and managed using a mix of investments, including stocks, bonds, mutual funds (stock funds, bond funds and other asset classes), options, warrants, real estate investment trusts ("REITs"), exchange-traded funds ("ETFs"), alternative investments, and other securities as chosen by the Advisor. For more detail about investment types please refer to part C below. For some clients it may be determined that an investment portfolio consisting primarily or exclusively of mutual funds is most appropriate. In these situations, a portfolio of no-load or load-waived mutual funds will be created, and client assets will be allocated among various mutual funds, while taking into consideration the goals and objectives of the client and the appropriateness of the overall management style of the funds. Other portfolios may utilize other

asset class. The portfolios for these Discretionary Advisory Services Clients may be constructed using Wrap Programs (bundled) or management fee only (unbundled).

HighTower offers discretionary advisory services through an unbundled or bundled service. Through the unbundled service, clients pay separately for the different aspects of the investment advice. They pay separately for custodial fees, HighTower's advisory fee, and the managed account platforms described below – if applicable. Clients may also choose a bundled service, also called a wrap program.

### Wrap Programs

Within a wrap program clients will pay an annual fee that covers all account fees (custodial fees, HighTower advisory fee, third-party money manager fees – if applicable). When a client elects to participate in a wrap program, the fees charged by the managed account platforms described below are included in the annual fee. HighTower's advisory fee is the amount charged to the client for the management of their account, and will include one or both of the following. HighTower may choose to act as portfolio manager on the clients account, making all the investment decisions and trading in the account, as they deem appropriate. HighTower may also choose to delegate the portfolio management to third-party money managers (as described below), under which the bundled advisory fee covers the third party manager advisory fees and due diligence review of the managers selected. HighTower's advisory fee is variable and negotiable dependent upon chosen custodian, managers and amount of assets. Please refer to Item 5 for more detail.

Participation in discretionary advisory services, either unbundled or bundled, may afford access to affiliated and unaffiliated third-party money managers. The unaffiliated third-party money managers are third-party entities, offering specialized asset management expertise or services that HighTower utilizes to manage all or a portion of the client assets in appropriate cases. Such third-party money managers employ people with expertise ranging from research and selection of investment options, to monitoring the assets and deciding when to sell them. Once selected, these third-party money managers have the fiduciary duty/discretion for the portion of assets placed with them, to choose and manage investments prudently for the client, including the development of an appropriate investment strategy, and buying and selling securities to meet those goals (subject to restrictions imposed by the client). These programs allow clients to obtain portfolio management services that typically have higher minimum account sizes if the client sought to engage the manager off of the platform and/or outside of the program. HighTower has no ability to affect the trading decisions of the third-party money managers once a client decides to participate in these programs, and can only choose to engage a third-party money manager or not. HighTower retains the right to replace (i.e., "hire or fire") third-party money managers on behalf of clients that have given discretionary authority to HighTower. Accounts that have discretionary authority allow HighTower to choose or change any third-party money manager approved for a given platform, without additional approvals from the client. HighTower will evaluate the third-party money managers and investment vehicles to determine whether the third-party money manager is suitable for the client, given the appropriate style and allocation. In addition, HighTower performs ongoing due diligence of the individual third-party money managers' performance and management, continuously reviews the client's account for adherence to objectives outlined with manager, and will reallocate assets among managers if necessary.

Each third-party money manager maintains a separate disclosure document outlining their investment vehicles, and is provided to clients by HighTower. In addition, HighTower and third parties administering wrap fee programs maintain additional disclosure documents that specifically pertain to the wrap fee programs that they administer, which will be provided to clients as applicable.

Clients should carefully review these disclosure documents for important and specific details including, among other things, fees, experience, investment objectives and risk guidelines, and disclosure of the third-party money manager's potential conflicts of interest.

### **Financial Planning**

HighTower may also provide financial planning to clients. Financial planning services are offered on a comprehensive or a la carte (limited focus) basis. Financial plans may encompass all or some of the following areas of financial concern to the client:

- Estate Planning Goals
- Retirement Planning
- Education Planning
- Insurance Planning/Risk Management

- Investments
- Asset Allocation Review and Recommendations
- Cash management and certain treasury services

Information is obtained through personal interviews (including a discussion of current financial status, future goals and attitude towards risk), and the review of related documents and data supplied by the client. A written financial plan may be prepared and provided. The implementation of financial plan recommendations is entirely at the discretion of the client. Financial plans are not limited in any way to products or services provided by any particular company. However, in general, only products and services that HighTower is able to provide will be offered.

#### **Pre-retirement planning**

We provide the following services to Employee Retirement Income Security Act of 1974 (“ERISA”) clients:

- Limited education and enrollment assistance.
- Draft, review and refinement of the Investment Policy Statement (IPS) to ensure the client’s (the plan sponsor and/or trustee) objectives and risk tolerances have been met.
- Working with the trustees of the plan to determine the appropriate mutual funds and/or securities for plan participant investments to meet the criteria outlined by the plan.
- Meeting with the trustees of the plan to review the performance of the mutual funds and other securities selected by the trustees. Recommendations will be made to the trustees, who then have the sole authority to determine the course of action to take on behalf of the plan.
- Periodic reporting as agreed upon.

HighTower may or may not have discretionary authority to trade plan assets, but does not have control over the plan assets or control over the administration of the plan. Where HighTower does not have discretion over the plan assets, advice is provided to the plan in the form of recommendations to the trustees or plan sponsor. HighTower’s role may be as advisor or consultant to the plan trustees. The consulting services provided are limited to those assets specifically identified in the client agreement.

#### **Exhibit 1. - Advisory teams focus**

While all investment advisory teams may offer all or some of the types of advisory services described above, each team has a focus as described below.

ADVISORY TEAM NAME	Investment Advisor Representatives (IAR)	Advisory team's area of focus, team practices	Investment consulting/Wealth Management	Discretionary advisory services	Financial planning	Pre-retirement Planning
HighTower Chicago Advisory Group	Steve Billimack		YES	YES	YES	YES
Scannell Wealth Management	Tim Scannell		YES	YES	YES	YES
The Bapis Group	Nick Bapis, Michael Bapis		YES	YES	YES	YES
Levin Group	Barnaby Levin	IAR as portfolio manager	YES	YES	YES	YES
Lyon Wealth Management	Todd Lyon		YES	YES	YES	YES
Wisehaupt Bray Asset Management	David Wisehaupt, Stella Bray	IAR as portfolio manager	YES	YES	YES	YES
The Lyman Group	Curtis Lyman		YES	YES	YES	YES

Anderson Wealth Management	Blair Anderson, Lynda Cosgrove, Don Stellin, Andrew Chapman	3 <sup>rd</sup> party money manager	YES	YES	YES	YES
Treasury Partners	Richard Saperstein, David D'Amico, Jerry Klein, Steve Bogner, Steven Feit	Corporate treasury cash management, Fixed income, ETF model	YES	YES	YES	YES
Matthias Kuhlmei	Matthias Kuhlmei	Financial planning	YES	YES	YES	YES
HighTower Westchester	John Lang, Peter Lang, Steve Ayer, Jeffrey Sullivan, Roman Ciosek		YES	YES	YES	YES
Rosenau Group	Pamela Rosenau	IAR as portfolio manager	YES	YES	NO	YES
Morse, Towey & White Group	Andy Morse, Justin Towey, Bob White		YES	YES	YES	YES
Thomas McGuirk	Thomas McGuirk	IAR as portfolio manager	YES	YES	YES	YES
Deggelman/Parker	Mike Deggelman, Chris Parker		YES	YES	YES	YES
The Morgia Group	Mike Morgia, PJ Banazek, Tony Morgia		YES	YES	YES	YES
Simmons Wilkes Investment Advisors	Ed Simmons, Blake Wilkes, Mike Simmons, Gibson Wilkes		YES	YES	YES	NO
Masterson, Emma & Associates	Mark Masterson, David Emma		YES	YES	YES	YES
Amidei Romano Group	Brian Amidei, Joseph Romano, Brett D'Orlando	IAR as portfolio manager	YES	YES	YES	YES
Blanke Schein Group	Rick Blanke, Robert Schein, Michael Shields	Fixed income focus	YES	YES	YES	NO
VWG Wealth Management	John Verfurth, Richard Weeks, Jeffrey Grinspoon		YES	YES	YES	YES

Pagnato-Karp Group	Paul Pagnato, David Karp, Charlie Holt, David Nelson		YES	YES	YES	YES
HighTower Bethesda	Jeff Leventhal, Stephen Rosen, Evan Nowack		YES	YES	YES	YES
HighTower Scottsdale	Jim Pupillo, Brian Hein, David Brasfield		YES	YES	YES	YES
James Hausberg	James Hausberg		YES	YES	YES	YES
HSW Advisors	Kenneth Hoffman, Richard Steinberg, Jordan Waxman		YES	YES	YES	YES
Kelly Wealth Management	Leo Kelly III, Avery Prkna, Brian Grumbach, Matthew Moore		YES	YES	YES	YES
Molnar/Nordlicht Group	David Molnar, Drew Nordlicht		YES	YES	YES	YES
Lerner Group	Gene Lerner, JR Gondeck, Mingdong Tan, Ann Rieder	IAR as portfolio manager, customized portfolios	NO	YES	NO	YES
Dillig Bowen Group	Matthew Dillig, Ted Bowen Jr.	IAR as portfolio manager, customized portfolios	YES	YES	NO	NO
HighTower Las Vegas	Michael Pequeen, Ned Evans, Adam Thurgood, Sheila Delutri, Hugh Anderson		YES	YES	YES	YES
The Sarian Group	Greg Sarian, Frank Masse II		YES	YES	YES	YES
MK Wealth Management	Mark Kravietz		YES	YES	YES	YES
Twickenham Wealth Advisors	Moss Crosby Mike Ahearn Wes Clayton Wilburn Sanders John Gibson	IAR as portfolio manager and 3 <sup>rd</sup> party money	YES	YES	YES	YES
Klein Wealth Management	Peter Klein		YES	YES	YES	YES



### C. Tailoring of advisory services

#### Restrictions:

In all cases, clients will have the opportunity to place reasonable restrictions on the types of investments that will be made on their behalf. HighTower reserves the right to not accept, or to terminate an account, if HighTower believes the restrictions imposed are not reasonable or prohibit effective management of the account. HighTower is not obligated to implement other investment selections if it believes such investments are inconsistent with a client's risk tolerance or HighTower's management style.

#### Product types:

HighTower may choose to use any of the following investment options: stocks, bonds, mutual funds (stock funds, bond funds and other asset classes), options, warrants, real estate investment trusts ("REITs"), exchange-traded funds ("ETFs"), alternative investments, and other securities as chosen by the Advisor. In addition, HighTower may use these investment options in different variations and levels if prudent and suitable for the client; some examples of those are shorting a stock and naked options.

### D. Wrap programs

HighTower does not manage discretionary advisory accounts differently based on whether they are wrap accounts vs. non-wrap accounts. Rather the decision is driven by the client's preference. As stated above, HighTower's advisory fee is the amount paid to HighTower for their advisory services. In the instance of a wrap (bundled) fee an agreed upon amount is paid to HighTower. That amount pays for HighTower's management of the account and goes directly to HighTower; in addition it will go towards third party managers, custodial fees and/or performance reporting fees, among other things. For more information on our wrap programs please refer to HighTower's Form ADV Part IIA Appendix 1.

### E. Assets Under Management

As of July 31, 2013, HighTower had \$12,131,897,756 in assets under management, the vast majority of which is managed on a discretionary basis. HighTower calculated this amount by compiling advisory account balances from accounts at our established custodians.

### F. Important Information Regarding Conflicts of Interest:

Examples of other actual or potential conflicts of interest arising from our advisory services may include, but are not limited to:

- Conflicts relating to allocating time and resources between client accounts, allocation of brokerage commissions, soft dollars and investment opportunities generally. For further information on our brokerage and allocation policies, and related conflicts of interest, please refer to Item 12 below;
- Conflicts relating to investing client assets (including uninvested cash) in investment vehicles in which we, or our related persons, have an interest or serve as adviser or another service provider. We have an incentive to recommend these products. Please refer to Item 10 and Section B in Item 11 below for further information;
- Conflicts relating to receipt of compensation or benefits, other than advisory fees. We have an incentive to favor non-clients that provide compensation to us over the interests of our clients. Please refer to Item 14 below for further information;
- Conflicts relating to investing in securities recommended to clients and contemporaneous trading of securities (i.e., personal trading) by HighTower and our related persons. We have an incentive to invest or trade in ways that benefit us, or our related persons, over the interests of our clients. Please refer to Item 11 for further information;
- Conflicts relating to voting securities held in client accounts when we are delegated the authority to vote proxies. Conflicts may arise from time to time between the interests of HighTower, or our related persons, and our clients. Please refer to Item 17 below for further information;

- Conflicts of interest relating to entertainment, gifts, sitting on boards of directors/trustees, charitable contributions, political contributions and other relationships with third parties. We have an incentive to favor those with whom we have these relationships. See Section A of Item 11 below for further information on our Code of Ethics.
- Conflicts relating to a transitioning individual client's existing securities, investments or money manager positions not being portable to HighTower custodians. Please refer to Item 12 for further information.

Actual or potential conflicts of interest generally can be addressed in a number of ways, such as one or more of the following, for example:

- Prohibition – we prohibit the conduct that gives rise to the conflict of interest (e.g., insider trading is prohibited under our Code of Ethics);
- Disgorgement – we give a benefit received to a client (e.g., when we sub-advise a mutual fund and invest client assets in it, we avoid charging the client two advisory fees);
- Delegation – we engage a third-party to act or make a decision (e.g., we engage a proxy voting service);
- Isolation – we construct information barriers to prevent a person from gaining knowledge that gives rise to a conflict (e.g., we may isolate a portfolio manager from certain material non-public information);
- Validation – we establish a benchmark for conduct that is designed to protect client interests or limit the benefit that creates the conflict of interest (e.g., if any mutual fund that we sub-advise engages in a cross transaction, Rule 17a-7 under the Investment Company Act of 1940 is followed to obtain a reasonable value of securities in such cross trades);
- Disclosure/Consent – we disclose the conflict of interest to our clients (e.g., we require solicitors to provide disclosure regarding solicitation fees paid to them by us); or
- Setting a De Minimis Threshold – we set a threshold for a benefit that is considered too small to influence conduct, and is therefore permitted (e.g., we set limited on entertainment, gifts and political contributions under our Code of Ethics).

HighTower has adopted a Code of Ethics as required under SEC rules (Please refer to Item 11 below for further information on our Code of Ethics). HighTower also has policies and procedures in place to mitigate and address the above-referenced conflicts of interest. HighTower believes such policies and procedures are reasonably designed to treat clients fairly and seek to prevent clients from being systematically favored or disadvantaged. Our compliance policies provide for various auditing and testing of our policies and procedures and are reviewed no less frequently than annually as required by SEC rules. Clients should refer to other sections of our brochure noted above for more specific information on conflicts of interest and how they are addressed.

## ITEM 5 - FEES AND COMPENSATION

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Depending upon the type of advisory service to be provided, clients generally have a choice regarding the manner in which fees will be calculated for such services. Options for calculating fees include the following:

- Percentage of assets under management;
- Hourly charges;
- Flat Fees;
- Other retainer or service fees, or some combination of the above.

Generally speaking, fees are negotiable from client to client, and are tailored to the specific type of services that HighTower provides to that client.

### ▪ Assets Under Management:

A client will be charged a certain percentage depending on how much in assets under management they have with HighTower. Asset levels can be determined at the account level or the household level (multiple accounts).

### ▪ Hourly Charges:

HighTower may charge a client an hourly fee for wealth management services or financial planning, please refer to Item 4 for more detail on those services. For the hourly fee HighTower will perform the non-discretionary services outlined in a Consulting agreement.

- Fixed Fees:

Depending on the type of fee a client is paying (wrap or management fee only – please refer to Item 4 for more details), there may be fixed fees. When a client is using a management fee only service, there are additional fees the client will pay for, including reporting fees, custodial fees, transaction fees and third-party money manager fees.

- Other:

Similar to hourly charges, HighTower may charge a one-time fee (i.e. quarterly, annually, etc.) fee to a client for wealth management or financial planning services.

HighTower typically does not impose a minimum account size or a set minimum annual fee for its investment management services. Our services and fee structures may not be beneficial for accounts below \$500,000 due to the negative impact that trading and transaction costs may have on performance. HighTower may negotiate fees on a client-by-client basis. The fee charged will be stipulated within each client's advisory agreement, and applies to all of the assets covered by the agreement (it may cover only one account or a household of accounts).

A client's custom fee schedule is negotiated on a client-by-client and manager-by-manager basis. Certain clients, as described within a client's advisory agreement, may be billed in an "all-inclusive" manner. In such instances, HighTower will assess one fee that captures the management, brokerage, and administrative portions collectively (except for Charles Schwab Select and Access program fees). Please see the Form ADV Part IIA – Appendix 1 - Wrap Fee Disclosure.

Fees are calculated quarterly, in arrears; thus the annual fee is paid once each quarter based on the number of days during that period. The clients' margin balance may be included when calculating HighTower's fees. Clients should note that they may already be paying margin interest on these same assets. As an introducing broker/dealer, HighTower Securities, LLC may receive a margin interest spread, or rebate, on debit balances maintained in clients' margin accounts. Via HighTower Securities, LLC, HighTower may receive a portion of such spreads or rebates as compensation. As such, HighTower is subject to a potential conflict of interest in recommending that advisory clients open margin accounts and maintain debit balances with HighTower Securities.

HighTower charges advisory fees based upon the valuation of client account(s) as determined by its performance-reporting vendors. The total portfolio value on which fees are based may vary from the value on the custodian statement (the valuation may be higher or lower) due to such factors as the timing and posting of dividends, settlement dates for trades, etc. Because billing is based on the average daily balance in client accounts(s), the number will be different from the ending portfolio balance on the client's quarterly statement as well. In some cases, clients may provide HighTower with pricing for securities or real assets that cannot be (or are not) verified by HighTower (i.e., either cost basis information no longer readily available, value of real assets such as a client's home or art collection, etc.). If requested, these will be shown on client reports as "below the line" assets and will not be used when calculating the client's management fees for the quarter. This will factor in at the end of each quarter when calculating the average daily balance for the advisory fee calculation and performance calculation. Depending on the asset, some of these may be included in the calculation of the average daily balance, this will be determined with a discussion between the client and advisor.

Clients invested in mutual funds will indirectly pay management fees and other expenses of the mutual funds that are separate and in addition to the advisory fees paid to HighTower. In addition, HighTower may participate indirectly in the sales charges imposed by mutual funds through its affiliated broker/dealer, HighTower Securities, LLC. HighTower Securities, LLC may also receive 12b-1 fees in connection with certain mutual funds purchased for clients' accounts, including certain money market funds. These fees will not always be used to offset advisory fees paid by clients to HighTower, although in some cases clients' advisory fees may be lower (due to the receipt of the 12b-1 fees) than they otherwise would have been without the 12b-1 fees. HighTower may also receive shareholder-servicing fees (also referred to as "rebates" or "revenue sharing" payments) from various mutual fund companies with respect to its clients

whose assets are invested in those mutual funds, which typically range from 5 basis points to 50 basis points depending on the mutual fund purchased. Via HighTower Securities, LLC, HighTower may receive a portion of such fees, rebates, and payments. As such, HighTower may be subject to a potential conflict of interest in recommending that advisory clients purchase mutual funds for which it or its affiliates receive fees.

Generally, fees received by HighTower will not exceed:

Account Asset Value	Equity/Balanced Annual Fee	Fixed Income Annual Fee
0 - \$500,000	2.50%	2.00%
\$500,001 - \$1,000,000	2.00%	1.50%
\$1,000,001 - \$5,000,000	1.75%	1.00%
\$5,000,001 and up	Negotiable	Negotiable

#### FEE PAYMENT

HighTower's default payment method is to have the custodian deduct, or directly debit, the investment management fee directly from client accounts. For those not directly debited, an invoice will be sent directly to the client and will be due in full within 10 days of receipt. Statements provided by the custodian will detail the total amount of the fees that have been deducted per quarter. In some cases, HighTower may send fee notifications to clients. Fees are not verified by the custodian; it is the client's responsibility to do so. Some assets (usually those with initial or deferred sales charges) may initially be excluded from the on-going asset under management fee agreed to by clients and HighTower. At an agreed upon point in the future, the assets may be included in calculation of clients' quarterly fees (i.e., when sufficient time has passed to offset the initial or deferred sales charge already paid).

Certain platforms charge an "unbundled" fee, meaning fees for execution, custodial, reporting, and/or administrative services are not combined with the third-party money manager fees and/or HighTower's fees. Also, certain platforms will charge execution costs in the form of an asset-based fee. Depending upon the platform selected there may not be an option for "householding" your accounts for fee discounts. Under Wrap programs, an annual fee is negotiated between HighTower and its clients, typically ranging from 0.20% to 2.5%.

Clients are unable to pay the fees associated with their accounts in advance.

In all cases, clients should carefully review each disclosure document maintained by third-party money managers that have been selected to manage their assets, as well as the disclosure document for each wrap fee program they participate in for complete details on the charges and fees incurred. HighTower will provide such additional disclosure documents, as applicable, to clients.

The fees clients pay the third-party money manager and HighTower may be shown on clients' custodial statements as one gross fee or in some cases, as separate fees. Additionally, clients may request that fees be further detailed. In this case, the client will make this request on the client advisory agreement and will see two to three separate charges depending on the custodial reporting requirements. Some platforms and programs may require an additional advisory agreement with clients in addition to the agreement signed with HighTower. Similarly, certain platforms and programs may require clients to complete brokerage account documents necessary to open new brokerage accounts.

Access to certain third-party money managers, platforms, and programs may be limited to certain types of accounts and may be subject to account minimums, which will vary and may be negotiable depending upon the third-party money managers, platforms, and programs selected. Certain platforms and programs administered by HighTower and/or made available to clients by HighTower may be available through other independent investment advisors, and in certain instances, directly via the Custodian or another third-party administering the platform or program. In addition, clients may be able to access certain third-party money managers directly. As such, clients may be able to access such third-party money managers, platforms, and programs at a lower cost through other channels. Further, it may be possible for a client to access third-party money managers directly or through other platforms or programs for an "unbundled" fee that is lower than the "bundled" fee that is available through HighTower.

#### FINANCIAL PLANNING FEES

Fees are negotiated on a case-by-case basis, and may be charged on an hourly or fixed fee basis. Once determined, the exact fee arrangement is set forth in the Client Agreement with HighTower.

**Hourly Fees.** Hourly rates may range from \$60 to \$500 per hour based upon the knowledge and experience of the individual providing the work. Fees are billed in 15-minute increments. Hourly fees will be billed monthly as the work is provided (in arrears).

**Fixed Fees.** Fees are typically determined by estimating the number of hours to be spent preparing the plan and then quoting a fixed price. If additional work is requested (beyond the original scope of the project), it may be billed on an hourly basis or a fixed price basis as negotiated. Fixed fees will be invoiced monthly or quarterly depending upon the negotiated agreement with the client and the anticipated delivery of the plan. Other limited planning services are billed monthly.

In addition, some or all of the financial planning fees may be included in the investment management fees agreed upon by clients and HighTower. Financial planning is not always billed separately. Total costs for financial plans, whether per hour or on a fixed basis, may range from as little as \$500 to as much as \$50,000 or more. There is no "typical" plan as services are customized to the particular needs of the client; thus there is a wide range of fees that may be imposed.

Should a contract be terminated prior to the service being delivered, HighTower will bill for work completed. In the case of prepayment of fees, the prorated refund will be based upon the hourly rate of the individuals who provided services.

#### CALCULATION OF FEES

To ensure clients are billed fairly for the assets they have under management or supervision with HighTower, advisory fees will be based on the average daily balance in clients' account(s) during a quarter, rather than billing on the account balance as of the last day of the quarter. Unless otherwise stated, fees will be invoiced in arrears for all quarters. As assets will rarely transfer into an account and be in a client's account for an entire quarter when the relationship with HighTower is established, HighTower will invoice in arrears for the first quarter based on the average daily balance and the number of days a client's assets are actually in its HighTower account(s). Clients will receive one HighTower fee deduction per quarter for the average daily balance of the previous quarter's managed assets.

Some platforms and programs charge fees in arrears, and some in advance. These are outlined in the applicable program's Disclosure Document. Each client's billing specifics and election (where applicable) are listed in its client advisory agreement.

#### ADDITIONAL COSTS

All fees paid to HighTower for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee and shareholder service fee. Clients should review such additional fees and the fees HighTower charges to understand the total amount of fees paid, as investments in mutual funds may be made by clients, independent of and without the services provided by HighTower. Virtually all investments purchased by prospectus or private placement memorandum have internal fees that are borne by the client in addition to any trading, execution, or HighTower advisory fees. HighTower is not compensated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of any client. HighTower's advisory fees are charged only as described within this disclosure document.

#### ADDITIONAL COMPENSATION

HighTower advisors may act as registered representatives under HighTower Securities, LLC, and receive compensation for some of the services provided in correlation with the advisory services herein. HighTower Securities, LLC receives economic benefit in the form of commissions for insurance transactions and group annuities. Clients are not obligated to use any recommended insurance company, agency or broker.

HighTower advisors may receive additional individual compensation and benefits upon joining HighTower. Some or all of these benefits may include cash, firm ownership and/or loans. This may represent a conflict of interest by incentivizing the financial advisor, relating to internal production goals that are commensurate with the benefits they received on engagement.

#### SHAREHOLDER SERVICES – COMMISSIONS AND 12b-1 FEES/TRAILS

HighTower Advisors, LLC has arrangements with Schwab, Fidelity IWS, and JP Morgan whereby the custodian pays HighTower Securities a fee equal to a fixed percentage of the total assets in certain mutual funds of certain client accounts, including mutual fund positions held by individual retirement accounts or accounts subject to the Employee Retirement Income Security Act of 1974, as amended, or that is a plan as described in Section 4975 of the Internal Revenue Code (including Individual Retirement Accounts) (collectively, "ERISA Accounts") of HighTower Advisor's employees, principals, and/or officers who are registered representatives of HighTower Securities. The fee that the custodian pays HighTower Securities might represent a significant amount of that custodian's mutual fund service fees. The fee is in recognition of certain shareholder servicing that registered representative affiliate(s) of HighTower Securities perform in respect of those assets. Those shareholder servicing fees are often referred to as trailers, rebates or revenue sharing arrangements and are received from various mutual fund companies with respect to HighTower's clients whose assets are invested in those mutual funds, which typically range from 5 basis points to 50 basis points depending on the mutual fund purchased. Because the affiliate(s) of HighTower Securities receive an economic benefit, HighTower Advisors has a potential conflict of interest in recommending to clients that they use a specific custodian and invest their assets in certain mutual funds. These fees will not always be used to offset HighTower's fees, although in some cases clients' quarterly fee may be lower because of the receipt of the Shareholders Services fees. The possibility of this compensation creates an incentive for an Investment Advisor to make decisions for the clients that would have the effect of increasing this compensation.

### **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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HighTower does not charge or accept any performance-based fees (i.e. fees based on a share of the capital gains on a client's account or on the capital appreciation of the client's assets).

"Side-by-side management" refers to our simultaneous management of different types of client accounts/investment products. For example, the firm manages accounts for different clients at the same time. Our clients have different investment objectives, policies, strategies, limitations and restrictions.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for the firm, our employees and supervised persons. We follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged and we manage our accounts consistent with applicable law. Please see Item 11 for a discussion of such procedures.

### **ITEM 7 – TYPES OF CLIENTS**

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HighTower generally provides advisory services to:

- Individuals - High Net Worth and Ultra High Net Worth;
- ERISA-governed and other retirement accounts and certain Pension and Taft-Hartley plans;
- Trusts, estates and charitable organizations;
- Corporations or other business entities; and
- Institutional organizations - colleges, universities

Account Requirements:

Generally, there is no set minimum annual fee or minimum account size to open or maintain an account. HighTower's investment management services may not be beneficial for accounts below \$500,000, as the relatively higher advisory

fees and trading and transaction costs may have a negative impact on performance. There are no minimum account sizes for financial planning services. See Item 5 of this Brochure for more information regarding advisory fees and the other fees and expenses those clients may pay in connection with our advisory services.

**General Note Regarding Managed Account Platforms and Wrap Programs:**

Access to certain third-party money managers, platforms, and programs may be limited to certain types of accounts and may be subject to account minimums, which will vary and may be negotiable depending upon the third-party money managers, platforms, and programs selected. Such minimums will be disclosed by the third-party money managers and/or administrators to such platforms and wrap programs through their separate disclosure documents.

## **ITEM 8 - METHOD OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

HighTower utilizes a variety of methods and strategies when formulating investment advice and managing client assets. The methods of security analysis include:

<b>Analysis</b>	<b>Description</b>	<b>Risk involved</b>	<b>Sources of information</b>
Charting	Displaying the performance of a security for review in a graphic version. It can be setup for any length of time and helps determine how the security will perform over time. Normally it is used to predict trends within the security during certain time frames.	There is no guarantee that past trends will reoccur. Individuals can project that based on the chart a security will perform one way when there is no guarantee of that performance.	Prospectuses, research materials, financial newspapers and magazines
Fundamental Analysis	Looking at the historical and present financial statements of a company. Reviewing the revenue, expenses, assets and liabilities to gain insight on a company's future performance. This analysis will also factor in the overall economy and industry specific conditions.	Individuals can read and project the statements differently and therefore believe different outcomes will occur.	Inspection of corporate activities, annual reports, filings with the SEC
Technical Analysis	Reviewing patterns and trends of a specific security/sector. Using data of past prices and volume the goal is to predict what a security will do in the future.	Analysis and execution of the data is at the discretion of the person reviewing the data. Past performance is not a guarantee of future performance.	Research materials, inspections of corporate activities, annual reports, filings with the SEC
Quantitative analysis	Technique that tries to understand the behavior of a security/sector by using complex mathematical and statistical modeling. It can	Quantitative analysis does not factor in all variables. This technique uses what is believed to be appropriate formulas and processes to determine the proper path. There is no way to guarantee that this thinking is correct.	Inspection of corporate activities, annual reports, filings with the SEC

	be used for performance evaluation, valuation of an instrument or try to predict market events.		
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Other analysis methods may be utilized in vetting potential investments for clients, including, but not limited to, conducting operational due diligence on third-party money managers and unaffiliated pooled investment vehicles

HighTower uses the following investment strategies to implement any investment advice (but are not limited to):

Investment strategies	Description	Risks involved	Client related information
Long term purchases	Securities held at least a year	Not able to take advantage of short term gains or get out during a losing period.	This is the basic premise used for long-term investing. Most investors fall into this category.
Short term purchases	Securities sold within a year	Potential to sell/buy to early/late. Miss out on gains or receive too many losses. Increased trading costs and greater tax liabilities.	This is used for an active account. For those looking for long-term investing but keep an eye on the assets under management for growth opportunities.
Trading	Securities sold within 30 days	These assets are actively managed and maintained. Need someone keeping an eye on them at all times which might lead to potential losses or missing of gains. There are potential fees associated with some securities with selling within 30 days.	This is normally used for those that are more aggressive in the investment objective. Trying to obtain big profits with the risk of bigger losses.
Margin transactions	Transactions that a broker/dealer extends credit to customer in a margin account to assist in the purchase of a security	Purchasing securities on margin can amplify potential returns and losses. As such, purchasing securities on margin may result in losses greater than an advisory client's original principal. Clients should carefully review disclosures regarding risks, fees, and other considerations appearing in margin account agreements prior to opening margin accounts.	This is for sophisticated investors with large net worth and liquid assets to cover losses if necessary. They are looking to obtain a large gain while putting themselves at a higher risk.
Lending/Collateral	Using the securities within your account as collateral for a loan or borrowing a security. In addition, there may be a fee/interest to pay to maintain the loan/borrow the security.	Some securities may be "hard-to-borrow" and therefore there will not be a market it to redeem securities and will charge a higher fee for borrowing. In addition, the collateral security is still exposed to credit, interest	This is for sophisticated investors with large net worth and liquid assets to cover losses if necessary. They are looking to obtain a large gain while putting themselves at a higher risk.



		and liquidity risks. If you are borrowing a security the stock may move opposite of what you believed would happen and you are at an unlimited risk position.	
Option writing	Investing in an option to execute an investment at a certain price expecting the price of the underlying stock to increase or decrease	Depending on the type of option will determine the level of risk. You can have anywhere from an unlimited loss to just a minimal fee per month for holding the option.	The type of client involved in options trading will depend on the type of option. Most investors can be involved with covered options while only sophisticated investors should be involved with uncovered options.
- Covered options	Investors writes a call option while owning the same number of shares of the underlying stock	The risks involved with covered options are the amount you invested. If the security you are writing an option against becomes worthless than you would lose your whole investment minus the premiums received for holding the option.	Most investors with a basic understanding of options normally invest in covered options. They are normally trying to place a hedge on a currently held position and earn premium income.
- Uncovered options	Investors writes a call option while not owning the underlying stock	The risk potential is for an unlimited loss if the market moves opposite of what is expected and underlying security cannot be located.	This is for sophisticated investors with large net worth and liquid assets to cover losses if necessary. They are looking to obtain a large gain while putting themselves at a higher risk.
- Spreading strategies	Buying and selling of the same option contract	You are limiting the potential gain you could receive by using spreads. The costs are higher because you are purchasing 2 options to setup the strategy.	Spreading strategies are for investors will a good understanding of options. They are used for investors looking to hedge positions or hedge their losses while still obtaining the objective of growth. In addition, to potentially receiving premiums from holding a contract.
Shorting	Sale of a stock that an investor does not own or a sale which is consummated by the delivery of a stock borrowed	The loss potential in theory has no limit.	Often used as a hedge strategy to manage the risks of long investments or when one believes the market is a specific security is going down. Shorting is normally only for clients with large net worth and liquid assets.

HighTower derives the information for our fundamental analysis described above from financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC and other sources that will assist in the analysis. As indicated by the chart above certain sources of information are more prevalent in the fundamental analysis for certain methods/strategies. Other investment strategies may be chosen if they meet a client's particular financial needs, risk profile, and overall investment strategy.

In addition, HighTower has an internal department called Group Investment Solutions (GIS). This department is tasked with reviewing and performing due diligence on potential investments, third-party money managers and private investments among other things. The majority of services offered have been vetted and approved by GIS prior to being

recommended or implemented. With GIS being a separate department it only approves products they deem to be sound and credible without pressures or conflicts from other departments.

### C. Risks of particular securities

Subject to the client's advisory agreement, we may invest and reinvest client's assets in a variety of securities and other investments. These securities and other investments may include, among other securities or other investments permitted under client investment guidelines:

- Equity securities:
  - exchange-listed securities
  - securities traded over-the-counter
- Securities of foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Investment company securities:
  - variable life insurance
  - variable annuities
  - mutual fund shares
- United States government securities
- Options contracts on:
  - securities
  - commodities
- Interests in partnerships investing in:
  - real estate
  - oil and gas interests
- ETFs (exchange-traded funds);
- REITs (real estate investment trusts);
- Limited partnerships;
- Hedge funds;
- Private equity;

### Risk of strategies

Investments in different vehicles can lose money over short or even long periods. You should expect the investment's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. Your investment performance could be hurt by:

- Stock market risk: the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Sector risk: the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. Depending on how the vehicle allocates assets, it may invest all, or substantially all, of its assets in the consumer discretionary sector, the investment's performance largely depends—for better or for worse—on the general condition of that sector. Companies in the consumer discretionary sector could be affected by, among other things, overall economic conditions, interest rates, consumer confidence, and disposable income.
- Non-diversification risk: the chance that the investment's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. An investment is considered nondiversified, when it may invest a greater percentage of its assets in the securities of a small number of issuers as compared with other mutual funds.
- Investment style risk: which is the chance that returns from small- and mid-capitalization stocks (to the extent that the clients' assets are invested in small- and mid-cap stocks) will trail returns from the overall stock

market. Historically, these stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

- Investment Company Risk: by investing in mutual funds you risk the potential of not capitalizing on the growth of the overall stock market. If some of the underlying stocks run up in price, mutual funds may not be able to capitalize on the appreciation due to the potential of other underlying stocks not appreciating as much. In addition, the fees associated with investing in mutual funds may be more than if you were to purchase the underlying shares directly.
- Private Equity Risk: private equity is normally an investment with companies or sectors that are not publicly traded. These investments are normally very illiquid; therefore they are not ideal for clients with frequent cash needs. There is normally no public market for private equity shares, if investors need to sell their shares they will so mostly like at a substantial discount. The risk of investing with a private equity is the majority or complete loss of invested funds depending on the underlying companies. In addition, investors may not see any return on investment for some time depending on the type of investment; these investments should be seen as a long-term investment.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- Consumer Discretionary ETF Shares are listed for trading on NYSE Arca and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a Consumer Discretionary ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, the client may pay more or less than NAV when you buy Consumer Discretionary ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.
- Although Consumer Discretionary ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of Consumer Discretionary ETF Shares on NYSE Arca may be halted by the activation of individual or market wide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Consumer Discretionary ETF Shares may also be halted if (1) the shares are delisted from NYSE Arca without first being listed on another exchange or (2) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

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## ITEM 9 - DISCIPLINARY INFORMATION

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The Firm and its management personnel have no reportable disciplinary events to disclose.

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## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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HighTower has arrangements that are material to its advisory business with HighTower Securities, LLC ("HighTower Securities"), a "related person" of HighTower.

### **Affiliated Broker-Dealer, Investment Adviser, Insurance Brokers and Commodity Trading Advisor**

HighTower is affiliated through common ownership with HighTower Securities. HighTower Securities is a broker-dealer registered with the Securities and Exchange Commission, and is also licensed as a general insurance broker and agency and commodity-trading advisor. HighTower Securities is a member of FINRA, the MSRB, and SIPC and is registered in various states as required.

HighTower may execute securities transactions on certain custodial platforms for its advisory client accounts through HighTower Securities. As such, HighTower Securities may receive a commission or other forms of compensation in connection with these activities.

HighTower is also affiliated to certain entities, through the entities capital investment with HighTower Holding, LLC. Such affiliates may be unaffiliated registered investment advisers, and include: M.D. Sass Macquarie Financial Strategies Fund, Macquarie Funds Group (a wholly owned subsidiary of M.D. Sass Macquarie), Franklin Mutual Advisors, LLC, Envestnet, and Offit Capital.

HighTower may recommend that clients engage affiliates to provide advisory services and/or invest in advisory products managed by affiliates, including, but not limited to, limited partnerships. This could potentially be a conflict of interest as HighTower may direct business to an affiliate over another qualified product. HighTower minimizes this conflict by completing a rigorous due diligence review on its partners before approving their products and services for clients, and only products that are believed to meet a client's investment objectives and risk tolerance are recommended. HighTower does not receive additional benefits or compensation from these firms because HighTower uses their products and services, although in some cases the pricing HighTower is able to offer its clients may be less than it would have been without this relationship.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

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### **CODE OF ETHICS**

HighTower has adopted a code of ethics (the "Code") that establishes rules of conduct for all employees, officers and directors of the investment advisory entity and is designed to, among other things, govern personal securities trading activities in the accounts of employees, officers and directors. The Code is based upon the principle the HighTower and its employees, officers and directors owe a fiduciary duty to HighTower's clients to conduct their financial affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. This section of the brochure contains a brief description of HighTower's Code, a copy of which will be provided to any client or prospective client upon request. Clients may request a copy of the Code by contacting HighTower at [Compliance@hightoweradvisors.com](mailto:Compliance@hightoweradvisors.com), or by phone, at 312-962-3800.

### **GENERAL STANDARDS OF BUSINESS CONDUCT; INSIDER TRADING**

The Code was developed to provide general ethical guidelines and specific instructions regarding the duties owed to advisory clients. All access persons must act with competence, dignity, integrity, and in an ethical manner, when dealing with clients, the public, prospects, third-party service providers and fellow access persons. Access persons must use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, promoting HighTower's services, and engaging in other professional activities. All access persons are expected to adhere to the highest standards with respect to any potential conflicts of interest with clients. As a fiduciary, HighTower must act in its clients' best interests. In addition, and in compliance with Section 204A of the Advisers Act, and Rule 204-1 thereunder, HighTower has adopted written policies and procedures, that are embodied in the Code, designed to detect and prevent the misuse of material, nonpublic information.

### **PERSONAL SECURITIES TRANSACTIONS OF "ACCESS PERSONS"**

Through its professional activities, HighTower and its supervised persons are exposed to potential conflicts of interest and the Code contains provisions, designed to mitigate certain of these potential conflicts, governing the personal securities transactions of certain of its employees, officers and directors. In particular, the Code governs the conduct of so-called "access persons" in instances, among others, where HighTower or certain individuals associated with HighTower may desire to purchase or sell securities for their personal accounts that are identical to those

recommended by HighTower to its clients for their advisory accounts. For these purposes, the Code defines an “access” person as a supervised person of HighTower that (i) has access to nonpublic information regarding any clients’ purchase or sale of securities, (ii) has access to nonpublic information regarding the portfolio holdings of any fund the adviser or its control affiliates manage, or (iii) is involved in making securities recommendations (or has access to such recommendations) to clients that are nonpublic.

Access persons’ trades must be executed in a manner consistent with the following principles: (i) the interests of client accounts will at all times be placed first; (ii) all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility; and (iii) access persons must not take inappropriate advantage of their positions. In addition, the code requires pre-clearance of transactions in securities in an initial public offering and in any securities in a limited offering or private placement.

Access persons must submit quarterly reports regarding securities transactions and newly opened accounts, as well as annual reports regarding holdings and existing accounts. HighTower monitors access persons’ personal trading activity at least quarterly to ensure compliance with internal control policies and procedures. HighTower strives to ensure that all access persons act in accordance with applicable regulations governing registered investment advisory practices as they apply to HighTower. Any access person not in observance of this goal is subject to sanctions, including termination of employment.

#### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS:

The Code does not prevent or prohibit access persons from trading in securities that HighTower may recommend, or in which HighTower may invest client assets. Rather, it prescribes the principals that must govern all access persons’ personal trading activities (i.e. that (i) the interests of client accounts will at all times be placed first; (ii) all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility; and (iii) access persons must not take inappropriate advantage of their positions). As such, it is possible that (i) HighTower and its advisory personnel, could recommend to clients, or buy or sell for client accounts, securities in which one or more access persons (or even HighTower) has a material financial interest, (ii) access persons (or even HighTower) could invest in the same securities (or related securities) that HighTower or its advisory personnel recommends to clients, or (iii) HighTower or its advisory personnel, could recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that one or more access persons buys or sells the same securities for their own account. This presents a potential conflict in that the access person might seek to benefit himself or herself from this type of trading activity in the same securities, either by trading for personal accounts in advance of client trading activity, or otherwise. These types of potential conflicts are precisely why HighTower has articulated clear principles regarding such conduct and has required the submission of regular reports regarding personal securities transactions of its access persons. As noted above, conduct by an access person that is contrary to the Code may subject the access person to possible sanctions including, in appropriate cases, termination of employment.

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## ITEM 12 - BROKERAGE PRACTICES

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In the event that a client requests HighTower to recommend a broker-dealer (referred to in this Brochure generally as a “custodian”) for execution and/or custodial services, HighTower will generally recommend broker/dealers or custodians with whom HighTower has an existing relationship, including Fidelity/IWS, Schwab, JP Morgan, TD Ameritrade and BNY Mellon. HighTower has chosen to establish relationships with these custodians based upon their financial strength, reputation, execution capabilities, pricing, research and service and recommends their use to clients based upon these factors, consistent with HighTower’s fiduciary obligations including the duty to seek best execution. Although HighTower has found the use of these custodians to be consistent with its obligation to seek best execution and that the fees (including but not limited to commissions and/or transaction fees) charged by each is reasonable in relation to the value of the brokerage and research services provided, a client may nonetheless pay a fee for services

that is higher than another qualified broker/dealer might charge to effect the same transaction. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker/dealer's services, including the value of research provided, execution capability, commission rates, and the benefit to all clients. Additional information is set out below regarding each of these recommended custodians and the considerations that may be important to a client when selecting a custodian from among the recommended custodians. That discussion includes other services that each recommended custodian provides to HighTower and for which it does not charge, or for which it charges a reduced rate, as a result of having established a relationship as a recommended custodian of HighTower. These services may include research, in addition to the other services set out with more specificity below. Additional information regarding the types of services and/or products provided by each of the custodians is set out below.

In certain cases, HighTower has the discretionary authority to pick a non-related broker (other than a client's current Custodian), to execute a fixed income trade. Each trade placed at a broker other than a client's selected Custodian will cost the client up to \$25.00, which is charged by the Custodian to settle the trade. This is in addition to any mark-up or markdown that may be paid to the broker/dealer HighTower selects to buy or sell the security. No mark-ups or markdowns are charged by HighTower Securities, LLC in its role as broker/dealer when serving as the broker/dealer for advisory accounts.

Clients must qualify for prime brokerage to participate in these transactions. To qualify for prime brokerage transactions, clients must maintain a minimum portfolio value of \$150,000 or more and sign the appropriate prime brokerage paperwork with the custodian. HighTower may use this discretionary authority to trade away from the custodian when purchasing or selling fixed income securities only. It is not used in all cases. Reasonable restrictions on this authority may be imposed, as described above.

In still other cases, the client may direct HighTower to utilize a custodian that is not among the HighTower-approved custodians. This is referred to as "directed brokerage". In directing HighTower to use a specific custodian and/or broker/dealer (other than those recommended by HighTower), clients should understand that HighTower will not have the authority to negotiate commissions among various Custodians or obtain volume discounts. With HighTower not having an established relationship with these custodians, the client may pay higher servicing fees to the custodian of their choice. This may also affect HighTower's ability to achieve best execution for these clients.

#### **Research and Other Benefits to HighTower/Soft Dollars**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular custodian, HighTower may receive from Fidelity/IWS, Schwab, JP Morgan, TD Ameritrade or BNY Mellon (or even another custodian) certain support services or products, without cost or at a discount, that assist HighTower in monitoring and/or servicing client accounts. These services may include investment-related research, pricing information and market data, compliance and/or practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and/or educational or social events, marketing support, computer hardware and/or software and/or other products and services used by, or useful to, HighTower in providing investment advisory services to its clients. Clients should understand that although the investment research products and services that may be obtained by HighTower will generally be used to service all clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Clients are directed to a more complete discussion below of each of the recommended custodians and the types of services and products that are made available to HighTower by each.

#### **General Information Regarding Recommended Custodians**

Before HighTower approves a custodian for recommendation to clients, HighTower will review, as applicable, the firm's operational, financial, and regulatory status, as well as their technological offerings, research capabilities, and execution capabilities, among other things. Even though HighTower recommends specific custodians, clients should evaluate each firm to ensure that the custodian selected will provide the best blend of service and cost. Transaction charges, commissions and fees may be higher or lower than clients would pay at other firms. HighTower has negotiated arrangements with all of its recommended custodians and trading platforms in order to provide pricing and services that it believes are competitive with other firms offering similar services.

It is important to note that some products, securities and/or money managers may not transition from the client's previous advisory firm to HighTower. Such positions would subsequently be required to be liquidated, resulting in potential transaction fees, as well as other changes to the account(s).

As noted above, HighTower may receive additional services from its recommended custodians, including but not limited to the ability to enter trades electronically, compliance guidance, and consolidated account statements for clients with multiple accounts. If these additional services were not provided to HighTower by the recommended custodians, HighTower might be compelled to purchase the same or similar services at its own expense.

In addition, HighTower participates in back office and support programs sponsored by each of these brokers/custodians. These programs and the services provided, including trading capabilities, are essential to HighTower's service arrangements. HighTower does not, as a general matter, routinely accept clients who direct HighTower to use other broker-dealers/custodians. As part of its participation in these programs, HighTower receives benefits that it would not receive if it did not offer investment advice.

As a result of receiving such services at a reduced cost (or at no additional cost), HighTower may have an incentive to continue to use or to expand the use of the services of its chosen Custodians. HighTower examined this potential conflict of interest when choosing to enter into the relationship with these firms, in addition to the other criteria articulated above regarding the selection of custodians, and determined that each relationship with a recommended custodian is in the best interests of its clients and that HighTower is able to satisfy its obligations to clients, including its duty to seek best execution, through the use of such recommended custodians.

As noted above, the use of HighTower's recommended custodians may cause a client to pay a commission that is higher than another qualified broker/dealer might charge to effect the same transaction. Nevertheless, in connection with evaluating the fees and services offered by its recommended custodians, HighTower has determined in good faith that the commissions and other fees charged by each are reasonable in relation to the value of the brokerage and research services received.

#### **Referrals to Custodians**

As stated previously, HighTower utilizes the custodial services of Fidelity/IWS, Schwab, JP Morgan, TD Ameritrade and BNY Mellon. Through these firms HighTower receives direct access to real-time client account information, electronic download of trades, balances and positions, and the ability to directly debit clients' advisory fees. HighTower also receives software and support services, including reductions in seminar and conference fees from these firms. These services provided to HighTower are not contingent upon any specific amount of business (assets or trading). HighTower's participation in these arrangements may raise potential conflicts of interest.

Fidelity, Schwab, BNY Mellon, TD Ameritrade and JP Morgan have dedicated services and technology for registered investment advisers. Each provides HighTower with benefits it may not receive from other firms - in terms of pricing and services. They also make available services intended to help HighTower manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, they may make available, arrange and/or pay for these types of services rendered to HighTower by independent third parties. Fidelity, Schwab, BNY Mellon, TD Ameritrade and JP Morgan may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to HighTower. This may create a potential conflict of interest.

#### **Considerations Relevant to the Selection of a Specific Recommended Custodian**

As noted, HighTower generally recommends that clients select one of the following custodians: Fidelity/IWS, Schwab, JP Morgan, TD Ameritrade or BNY Mellon. All such custodians are members of FINRA and the Securities Investor Protection Corporation (SIPC), and are registered broker/dealers. These firms maintain custody of clients' assets and effect trades in client accounts. HighTower is independently owned and operated and not affiliated with any of the recommended Custodians.

In recommending these firms, HighTower has evaluated each and determined that they offer HighTower's clients an excellent blend of service, financial strength, competitive commission rates, and access to mutual funds otherwise not available to HighTower or its clients, among other factors. Each of these firms provides HighTower with access to institutional trading and custody services, which are typically not available to retail investors, as well as other products

and services identified in this Section of the Brochure. The following additional information regarding each of these custodians may be relevant to clients as they select from among the recommended custodians of HighTower.

**Fidelity/IWS:**

HighTower has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (together with affiliates, "Fidelity") through which Fidelity provides HighTower with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, recordkeeping, and related services that are intended to support intermediaries such as HighTower in conducting business and serving the best interests of clients. These may also be a benefit to HighTower, which may otherwise have to pay for such items at its own expense.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt security transactions). Fidelity enables HighTower to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker/dealers.

As part of the arrangement, Fidelity also makes available to HighTower, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by HighTower. Some research packages may be selected by HighTower from the Fidelity system and do incur an additional charge to HighTower. For example, these research and brokerage services presently may include those provided by Reuters, Standard and Poor's, and Bloomberg, and may be used by HighTower to manage accounts and provide advice to all clients regardless as to whether such clients use Fidelity.

Fidelity has an ownership interest in Envestnet, a firm involved with managed account platforms and wrap programs recommended by HighTower. Envestnet is an investor in HighTower. As such, HighTower faces a conflict of interest in approving advisory products and services involving Envestnet to be recommended to clients by HighTower. HighTower attempts to mitigate this potential conflict by completing the same level of due diligence that it would otherwise complete for an unaffiliated firm before approving their products and services for recommendation to its clients.

**Schwab:**

These services may be available to independent investment advisers on an unsolicited basis, at no charge to them, as long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services (formerly Schwab Institutional) and are not otherwise contingent upon Adviser committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Services that benefit you: Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Services that may not directly benefit you: Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.



Services that generally benefit only us: Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- education conferences and events;
- technology, compliance, legal and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

The availability of these services from Schwab benefits us because we do not have to product or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The minimum may give us an incentive to recommend that you maintain your account with Schwab and pose a potential conflict. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients. It is supported by the scope, quality and price of Schwab's services.

If a client account custodied at Schwab is based upon transaction-based pricing, the participation in the wrap fee sponsored by HighTower may present a disincentive for HighTower to affect securities trades in the client account inasmuch as HighTower will pay the transaction/execution costs associated with such trades directly to Schwab.

HighTower receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through HighTower's limited participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with HighTower. Schwab does not have any responsibility for HighTower's management of clients' portfolios or HighTower's other advice or services. HighTower's participation in the Service may raise potential conflicts of interest described below.

HighTower pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by HighTower is a percentage of the fees the client owes to HighTower or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. HighTower pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to HighTower quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by HighTower and not by the client. HighTower has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs HighTower charges clients with similar portfolios who were not referred through the Service.

HighTower generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, HighTower will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of HighTower's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, HighTower will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab.

For accounts of HighTower's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from the affected clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. These fees are normally classified as a "primer broker" or "trade away" fee. Schwab's fees for

trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, HighTower may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. HighTower acknowledges its duty to seek best execution of trades for these client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for HighTower's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

**JP Morgan:**

By recommending certain programs, HighTower is also recommending itself and its affiliated broker/dealer, HighTower Securities, LLC. HighTower may have an incentive to recommend programs that generate revenue for HighTower and its affiliated broker/dealer over other programs to the extent that such arrangements generate higher total income for HighTower and its affiliates. In addition, clients should understand that this brokerage arrangement may cause the client to forego any potential savings on execution costs that HighTower otherwise might be able to negotiate with different broker/dealers, such as reduced execution costs that may result from utilizing alternative trading services.

HighTower's affiliated broker/dealer, HighTower Securities, LLC may earn compensation for accounts custodied at JP Morgan. HighTower Securities has a financial interest in acting as broker and executing transactions for such accounts, because HighTower Securities receives commissions in the form of service or 12b-1 fees in connection with assets in money market funds. These fees are ultimately born by clients in these funds (these assets are typically excluded from the calculation of clients' advisory fee). Service or 12b-1 fees are regulated under the Investment Company Act of 1940. Ultimately this may also provide indirect compensation to HighTower.

**TD Ameritrade:**

HighTower has an arrangement with TD Ameritrade ("TD") through which TD provides HighTower with "platform" services. The platform services include, among others, brokerage, custodial, administrative support, recordkeeping, and related services that are intended to support intermediaries such as HighTower in conducting business and serving the best interests of clients. These may also be a benefit to HighTower, which may otherwise have to pay for such items at its own expense.

**BNY Mellon:**

HighTower has an arrangement with BNY Mellon ("BNY") through which BNY provides HighTower with "platform" services. The platform services include, among others, brokerage, custodial, administrative support, recordkeeping, and related services that are intended to support intermediaries such as HighTower in conducting business and serving the best interests of clients. These may also be a benefit to HighTower, which may otherwise have to pay for such items at its own expense.

**Trade Aggregation and Allocation**

HighTower may "aggregate" or "block" purchase or sale transactions where it decides to purchase or sell the same securities for several clients at approximately the same time. HighTower may, in certain circumstances, include access person transactions with those of nonaffiliated clients. Generally, HighTower would aggregate or block such transactions in order to obtain best execution, to obtain more favorable commission rates, or to allocate equitably among multiple clients, the differences in prices, commissions or other transaction costs that might have been obtained had such orders been placed independently. Each account participating in the block will receive the average price if multiple executions are required to complete the order, and transactions and costs will be allocated in proportion to the purchase and sale orders placed for each client account in that security on that day. Block trades will typically be segregated by custodian, and by HighTower Advisory team, when purchasing or selling securities. Clients participating in a mini block may not receive the benefit of negotiated commissions, as HighTower does not have that authority on an account-by-account or transaction-by-transaction basis. HighTower may block multiple client accounts together that qualify for prime brokerage trading activity. In such cases, participating clients will receive the average execution price and their pro rata share of transaction costs. However, because of HighTower's practice of managing portfolios on an individual basis, HighTower does not frequently block transactions except for certain accounts managed in accordance

with a model. Thus, HighTower's ability to take advantage of volume discounts or other potential cost and execution advantages of block trades may be limited.

HighTower urges all advisory teams to use block trading in appropriate cases to assist in all clients receiving the same execution price. In addition, accounts participating in block trades pay a proportional share of any commission, subject to minimum ticket charges. HighTower allows de minimis deviations with respect to allocation determinations in order to place round lots in advisory client accounts.

#### Procedures for New Issues or Secondary Offerings (Equity and Fixed Income)

For a client to take part in any new issue or secondary offering the necessary documents need to be on file. HighTower then will reach out the clients to see if they have any interest in the new issues. If a client does, their order will be filled utilizing the following allocation process, subject to change at the discretion of the HighTower trade desk:

1. If a full allocation is received, all advisory teams and their respective clients will receive 100% of their indication of interest
2. If a partial allocation is received, shares will be allocated to the participating advisory teams and their respective clients based on a number of factors dependent on the clients custodian, which could include:
  - a. The size of the indications at the account level
  - b. Account level participation in previous deals
  - c. Account level size/net worth

#### Trade Errors

For all custodians, where a trade error occurs in a client account and it is HighTower's error, HighTower will correct the error and ensure the client account does not suffer a loss. However, with the exception of the limited instances for Schwab-custodied accounts noted below, the client will not profit from the error, even if the subsequent correction results in a profit due to market movement. In the cases of a profit HighTower will maintain those gains.

Charles Schwab trade error policy:

From time-to-time HighTower may make an error in submitting a trade order on your behalf. When this occurs, HighTower may place a correcting trade with the broker-dealer that has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, HighTower will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

#### Cross Transactions

A cross trade would occur if HighTower executes a buy and sell order of the same stock without recording the trade on the exchange. In addition, HighTower could execute a buy and sell from the same security from one client account to another. HighTower does not participate in cross transactions for any client without the approval of each client.

#### Agency Cross Transactions

An agency cross trade would occur if HighTower executes a trade for a HighTower advisory client on one side of the transaction and a non-advisory client on the other. HighTower does not currently engage in agency cross trades.

#### Principal Transactions

A principal transaction is one in which HighTower would engage in the practice of buying securities for its own inventory from a HighTower advisory client or selling securities from its own inventory to a HighTower advisory client. HighTower does not currently engage in principal transactions for advisory clients, as HighTower does not have any inventory.

## ITEM 13 - REVIEW OF ACCOUNTS

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### A. REVIEW OF ACCOUNTS

#### 1. INVESTMENT MANAGEMENT SERVICES, MANAGED ACCOUNT PLATFORMS, AND WRAP PROGRAMS

- a. Each account receives at minimum an annual review by the portfolio manager or someone appropriately knowledgeable on his/her staff such as an analyst ("a reviewer"). In most cases, accounts are reviewed more frequently through various means, including telephone calls, in-person meetings, overall strategy reviews, and/or the review of monthly and quarterly statements. Reviews are based on objectives and parameters established by clients, which are generally memorialized through their individual advisory agreements, investment policy statements, or other suitability and investment objectives documentation. Each reviewer handles a different number of clients as the number varies from office-to-office. The number of reviewers may be increased as client demand increases.
- b. Periodic reviews and face-to-face meetings or conference calls are encouraged between clients and the reviewer. Events that may trigger a review include client requests, a change in financial goals or objectives, and significant world, economic or market events.
- c. While HighTower will typically evaluate the continued suitability of specific third-party money managers (as applicable), managed account platforms, and wrap programs during account reviews, the administrators of such platforms and programs (which may be HighTower, a Custodian, or another third-party) may also perform their own reviews of managers appearing on the platforms and programs. Any such reviews will be disclosed in the manager's separate disclosure documents sent at account opening, after material changes and/or annually and are maintained by the administrators to applicable platforms and programs.
- d. In addition, HighTower's Compliance Group performs a review of client accounts. Compliance reviews the account to determine adherence with the client's account suitability, risk tolerance and goals, among other things.

#### 2. FINANCIAL PLANNING SERVICES

- a. Financial plans may not be reviewed, depending on the nature of the service, until after the plan is delivered (in the case of a written plan), or after the service is provided. The frequency of plan review will be dependent on the agreement terms. If deemed necessary it may be reviewed quarterly, yearly or some other determinate amount of time. Those reviews will revisit the initial plan and determine if any adjustments need to be made to the objectives. Financial Planning, by its nature, does not require periodic review; it is not an asset management service, – we offer input and advice for different financial objectives without actively managing the account(s).
- b. HighTower may use a software tool to assist or generate the financial plan. HighTower will periodically evaluate the software tools to determine if they are still effective tools. HighTower will look to see if the assumptions and outputs being generated from the system are still in the best interests of the client.

### B.. REGULAR REPORTS PROVIDED TO CLIENTS

#### 1. INVESTMENT MANAGEMENT SERVICES, MANAGED ACCOUNT PLATFORMS, AND WRAP PROGRAMS

HighTower may provide investment management clients with a quarterly performance report. This report is typically an account appraisal and may identify some or all of the following information: current positions, security cost basis and current market value, and capital contributions and withdrawals from the account. In addition, a summary performance analysis report, which shows the portfolio rate of return, will be provided for the most recent quarter and will also show the return from inception of the account. Taxable clients [may] receive a realized gain and loss report for tax purposes. These reports are fairly customizable to deliver what HighTower or the client deems pertinent. All reports are in addition to custodial statements and transaction confirmations received from the client's custodian; they in no way replace the custodial statements. These reports will often be provided electronically or presented in face-to-face meetings.

Additional reporting may also be provided by third-party money managers and the administrators of managed account platforms and wrap programs, depending on the particular third-party money manager, platform, or program selected. Any such additional reporting will be disclosed in the separate disclosure documents maintained by third-party money managers and the administrators to applicable platforms and programs.

## 2. FINANCIAL PLANNING

No on-going financial planning reports are provided for financial planning clients unless a financial plan update or additional services are requested. HighTower will update a plan as needed and when objectives or financial situation change.

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## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

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### A. Economic Benefits Received from Non-Clients for Providing Services to Clients.

Please see Item 12 of this Brochure above for further information on services and products HighTower may receive from non-clients, including the Firm's procedures for addressing conflicts of interest that arise from such practices.

HighTower policies prohibit our related persons from accepting any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### B. Compensation to Non-Supervised Persons for Client Referrals.

HighTower may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*), and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our Firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to HighTower by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of Firm practice, advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act, related SEC staff interpretations, and other applicable laws and regulations. In no event will such solicitation services include providing investment advisory services. The compensation paid by HighTower for these solicitation services is paid completely by HighTower from the management fees earned, which are not increased or passed through to the referred client in any way as a result of a third-party solicitor's involvement in the introduction.

HighTower may also receive client referrals from Custodians. While HighTower does not receive such referrals pursuant to a formal agreement and does not directly compensate Custodians for such referrals, such referrals could present a potential conflict of interest as HighTower could have an incentive to direct brokerage to certain broker/dealers in order to continue receiving referrals. HighTower does not consider client referrals from broker/dealers when making brokerage allocation decisions.

### **C. THIRD PARTY MANAGERS AND HEDGE FUNDS**

HighTower may have revenue-sharing arrangements with respect to certain third-party managed accounts and hedge funds recommended to advisory clients. No separate advisory fee is charged on such assets. However, HighTower may receive a percentage of the advisory fees (both hedge funds and managed accounts) and incentive allocations (hedge funds only).

Certain issuers may make payments from time to time as disclosed in offering documents to HighTower. HighTower receives a fee for certain assets placed with issuer. This is a conflict because it may favor HighTower to place assets with an issuer in order to generate income for HighTower. HighTower mitigates this by crediting the corresponding client account the advisory fee for the portion related to their investment.

HighTower annually holds a partnership meeting that all financial advisors/partners attend. At this meeting there are sponsorship opportunities for our vendors and other third party providers. With this sponsorship fee it allows these companies access to our advisors to discuss products or services. The sponsorship fees go to assist in the payment of the meeting or future meetings. This could be deemed a conflict as HighTower may refer business to a certain vendor due to their payment of the sponsorship fee. HighTower attempts to mitigate the conflict by having the fees go towards only the meeting and not as revenue for the company.

## **ITEM 15 - CUSTODY**

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HighTower does not custody client funds and/or securities and acts in accordance of Adviser Act Rule 206(4)-2.

## **ITEM 16 - INVESTMENT DISCRETION**

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For many clients, HighTower has investment discretionary authority (i.e., authority to act without first obtaining specific client consent to each investment transaction) to determine the securities to be bought or sold, and the amount of the securities to be bought or sold. This discretionary authority also allows HighTower to determine the third-party money manager to be used for client account(s) through its money management platform.

Clients may impose reasonable restrictions on this authority, (i.e., no defense stocks, no tobacco, etc.). All such restrictions shall be documented in writing. Clients may modify the imposed restrictions by providing the change to HighTower in writing. HighTower reserves the right to refuse to open an account or to terminate an account if it is believed, in HighTower's sole opinion, that the restrictions placed are excessive and would limit its abilities to manage the account effectively and prudently. Clients should also understand that the imposition of portfolio restrictions may affect performance of the affected portfolio(s), either positively or negatively.

Please see Item 4 of this Brochure for additional information regarding our advisory services generally, but specifically including our discretionary advisory services.

## ITEM 17 - VOTING CLIENT SECURITIES

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HighTower has express authority to vote proxies on behalf of clients in compliance Advisers Act Rule 206(4)-6, unless otherwise stated in the Client Advisory Agreement. Risk Metrics Group/Institutional Shareholder Services, Inc. ("ISS") has been engaged as an independent third party to vote proxies in order to mitigate risks involved with any conflicts of interest that might otherwise arise in the voting of client proxies. HighTower does not charge an additional fee for this service.

Proxies are assets of HighTower's advisory clients that must be voted with diligence, care, and loyalty. HighTower will vote each proxy in accordance with its fiduciary duty to its advisory clients. HighTower will seek to vote proxies in a way that maximizes the value of advisory clients' assets. However, HighTower will document and abide by any specific proxy voting instructions conveyed by an advisory client with respect to that advisory client's securities.

Absent specific advisory client instructions, HighTower has adopted the following proxy voting procedures designed to ensure that proxies are properly identified and voted, and that any conflicts of interest are addressed appropriately:

- As part of the account opening process, HighTower and/or the Approved Custodian will code the account and notify ISS of accounts for which HighTower will vote proxies.
- If an advisory client gives specific proxy voting instructions, the advisory client must inform HighTower.
- If an advisory client declines to assign proxy-voting authority to HighTower during the account opening process, proxies will be sent to the address of record by default. If proxy materials are inadvertently received by HighTower, HighTower or designee will return the materials to the sender along with a statement that HighTower does not have authority to vote proxies for that advisory client and that future materials should not be sent to HighTower.
- Proxies received after an advisory client terminates its advisory relationship with HighTower will not be voted. HighTower or designee will promptly return such proxies to the sender, along with a statement indicating that HighTower's advisory relationship with the advisory client has terminated, and that future proxies should not be sent to HighTower.
- For accounts that HighTower is to vote proxies, all voting is done by ISS along the lines of their policies and procedures.
- ISS may refer proxies to HighTower to vote on. In these instances it is the responsibility of the specific Investment Advisor Representative of the corresponding account to vote the proxy how they deem prudent.

### Class Actions

HighTower does not direct advisory clients' participation in class actions. HighTower shall forward any class action documentation inadvertently received to the appropriate advisory clients. These policies have been written and in place in accordance with Rule 206(4)-6 and HighTower acts in accordance with those procedures.

In most instances, proxies will be voted the same for all client accounts held by HighTower at our various custodians. The client's custodian will send proxy paperwork to ISS and the client will not receive copies. In the case of accounts managed by third party money managers, proxies will be voted by the third-party money manager

## ITEM 18 - FINANCIAL INFORMATION

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HighTower is not required to include a balance sheet for our most recent fiscal year end because we do not require or solicit more than \$1,200 in fees per client, six months or more in advance. In this Item, we are required to disclose that HighTower has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Additionally, HighTower has not been the subject of a bankruptcy petition during the past ten years.