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NEWS RELEASE

STARTUP TAKES AN "OLD-IS-NEW" APPROACH TO ADVISORS

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HighTower Advisors is a new hybrid RIA-brokerage that hopes to re-shape the fee-based paradigm by attracting big-book brokers with wirehouse-style product-and-service support and an approach to ownership that gives advisors a say in how the business is run.

"Our Advisors are truly owners -- not merely investors or equity holders," says HighTower CEO Elliot Weissbluth. "We're the first advisor-owned, national, fiduciary advisor firm exclusively working with high-net-worth individuals and families."

Ownership

HighTower distinguishes itself from wealth-firm aggregators like New York-based Focus Financial Partners, Nashville, Tenn.-based WealthTrust and Newport Beach, Calif.-based United Capital Financial Partners because it operates under a single brand while those firms are holding companies for (mainly) own-brand advisories.

Dan Seivert, CEO of Los Angeles-based investment-banking and consulting firm Echelon Partners, agrees that HighTower seems to be based on a new or at least unusual concept for an advisory firm that's "staying away from the rollup notion" in favor -- apparently -- of a more organic buildout.

HighTower is one-quarter owned by its advisors. Right now it has advisors in San Francisco, Chicago and New York; but it declines, for now, to name or number them. As more advisors come in, the size of stakes owned by individual HighTower advisors will decrease as portions of the 25% set aside for them. But, as incoming advisors add to the firm's overall cashflow and as economies of scale make themselves felt, the value of each advisor's equity in the firm should increase, according to Weissbluth.

Big names

This ownership structure, hails back to "the old partnership models from early firms on Wall Street," Weissbluth adds. "Everything old is new again."

And, in what Weissbluth describes as another novel wrinkle, HighTower advisors will have a representative on the firm's board of directors.

HighTower has minority-stake capital backing from a consortium that includes Sydney, Australia-based M.D. Sass-Macquarie, San Mateo, Calif.-based fund manager Franklin Templeton, Chicago-based third-party investment-platform provider Envestnet, New York-based RIA Offit Capital Advisors, San Francisco-based Red Eagle Ventures, a private-equity firm owned by former Schwab CEO David Pottruck, and DLB Capital, a Wilton, Conn.-based private-equity firm run by former Morgan Stanley investment-banking honcho Douglas Brown. Though HighTower declines to confirm it, media reports mention former Morgan Stanley CEO Philip Purcell -- now president of the Chicago-based private-equity firm Continental Investors -- as another investor.

Chicago-based HighTower's executives also have ownership positions in the firm.

Despite the publicity HighTower has already received from its association with heavy hitters like Pottruck and -- possibly -- Purcell, Weissbluth says the firm's marketing and general messaging "will be centered around our advisors; not our executives, founders, board members or [sources of] capital."

Shortlist

HighTower aims to recruit brokers and brokerage teams that had at least several hundred-million dollars in fee-generating assets at their old firms, with particular emphasis on mid-career professionals with plenty of growth trajectory.

Beyond that, HighTower is looking to form partnerships with advisors who are "fine citizens," says Weissbluth. "We have high standards as to the quality of the people we work with."

In sum, HighTower is looking for productive, growth-oriented advisors "who recognize that they have entrepreneurial drive, but want people executing [for them] on operations so they can focus on their clients," says Weissbluth.

Though Weissbluth says HighTower is "managing a very robust pipeline" of potential recruits "that has accelerated because high-end advisors at the wirehouses have seen significant deterioration in the last five months," he adds that the firm isn't out to "convince advisors to leave their firms." Rather, he says, "We just want to be on their shortlist of options" -- along with wirehouse hopping, affiliating with an independent broker-dealer and joining or starting RIAs.

Weissbluth, a former president of Houston-based US Fiduciary, declines to say how many advisors or how much in assets under management HighTower aims to have by any given cut-off date. -FWR

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ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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