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Understanding Advisory and Brokerage Relationships

Hightower Advisors, LLC (“Hightower Advisors”) is a U.S. Securities and Exchange Commission (“SEC”) registered investment advisor. Hightower Advisor’s affiliate, Hightower Securities LLC (“Hightower Securities”), is a Financial Industry Regulatory Authority (“FINRA”) registered broker-dealer. As a result, Hightower can offer our clients both investment advisory (“advisory”) and brokerage services. Depending on your needs and your investment objectives, your financial advisor can help you determine whether an advisory relationship or brokerage relationship is appropriate for some or all of your assets. It is important that you understand the differences between investing through an advisory relationship or a brokerage relationship. You should carefully consider these differences. These differences include costs, services, and the laws and regulations that govern these relationships, as described below. Keep in mind, there are circumstances where you may benefit from both an advisory relationship and a brokerage relationship for different portions of your investment portfolio.

The Difference Between Advisory and Brokerage Relationships

Advisory Relationship

We act as your investment adviser when our financial advisor provides you with and is compensated for, ongoing investment advice and services. In this instance, you pay an agreed upon ongoing advisory fee based on your portfolio value instead of a commission or sales charge at the time of each transaction.

As an investment adviser, we offer a variety of advisory services including investment education and/or advice, discretionary and nondiscretionary advisory services, retirement plan consulting and management; advice on the selection of investment managers or securities offered through our advisory services, and a broad array of financial planning services.

When we act in our capacity as an investment adviser, we do so pursuant to a written advisory agreement (“Agreement”) with you that sets forth the advisory relationship and our obligations to you. For these services you pay an advisory fee, which is negotiated between you and your financial advisor. The fee is a percentage of the value of billable assets in the account. This agreement can be terminated at any time by either party.

When we act in our capacity as an investment adviser, we have a fiduciary relationship with you under the Investment Advisers Act of 1940 and applicable state laws. When acting in an advisory relationship, our duties and obligations include, among others, the following:



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- We act solely in your best interest.
- We avoid or disclose and mitigate all material conflicts of interest.
- We treat you fairly and never unfairly advantage one advisory client or the Firm to the disadvantage of another client.
- Any investment decisions or recommendations that we make to you must: be suitable and appropriate for you and consistent with your stated investment objectives financial condition, and risk tolerance.
- Your adviser regularly communicates with you to ascertain whether your investment objectives, financial condition, or risk tolerance has changed.
- We will inform you if we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you.

Brokerage Relationships

A Brokerage relationship is commission-based, meaning financial advisor and brokerage firm are paid a commission or a sales charge for each transaction. The amount of that commission varies, depending on the security or investment product selected by the client and the commission schedule is disclosed to the client. The sales charges for open end mutual funds are described in the prospectus or other offering documents.

In a brokerage relationship and in connection with your brokerage account, we may provide several services related to investments in securities, including (but not limited to): taking customer orders and executing securities transactions; custody, investment research; and providing general information regarding financial products. We may also provide recommendations concerning whether to buy, sell, or hold securities. We do not charge a separate fee for such recommendations because we consider them to be part of our brokerage relationship. However, you pay us commissions and other applicable fees each time we execute a transaction in your brokerage account. At times, we are also paid by third parties in connection with your investment decisions. In a brokerage relationship, we do not make investment decisions for you or manage your accounts on a discretionary basis. Our advisor needs your permission to execute each transaction, and will present you with products that are suitable for your needs and financial situation.

Additionally, when we act in a brokerage relationship we are subject to a number of laws, rules and regulations, including the Securities Act of 1933, the Securities Exchange Act of 1934, FINRA rules, and applicable state laws. When acting in a brokerage relationship, our duties and obligations include, among others, the following:

- We are required to observe high standards of commercial honor and just and equitable principles of trade.
- We must have a reasonable basis for believing that each securities recommendation made to a client is suitable based upon the information provided by the client.
- We have a duty to deal fairly with you. Consistent with our duty of fairness, we are obligated to make sure that the prices you receive when we execute transactions for you are reasonable and



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fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.

- When executing a client trade as principal for our own account, the price that we provide to the client for the security must be fair under the prevailing circumstances.
- When executing a client trade as agent, the commission charged the client for executing the trade must be fair under the prevailing circumstances.

Advisory and Brokerage Relationship: Important Considerations

Advisory relationships and brokerage relationships have different structures, types and levels of service, fees and expenses. Advisory relationships and brokerage relationships are designed to address different investment needs of clients and certain advisory services and brokerage services may not be appropriate for a client.

An advisory relationship may be appropriate if you desire:

- A financial advisor to manage and construct your investment portfolio.
- A financial advisor to provide ongoing investment advice and recommendations.
- A financial advisor to perform investment research and due diligence.
- A financial advisor to rebalance your portfolio.
- Fees that are not tied to transaction charges or sales commissions. Instead fees are a percentage of your managed assets, so there is a mutual interest in growing your assets.

A brokerage relationship may be appropriate if you desire:

- To make the investment decisions yourself and you just need your representative to execute your orders.
- Occasional advice or recommendations on investments from a financial advisor.
- A buy-and-hold strategy for an extended period without ongoing monitoring from a financial advisor.
- To pay your financial advisor for each transaction that you make rather than an ongoing fee based on the value of the assets in your account.

Before opening an account, a client should carefully consider and discuss with the client's financial advisor, considering the client's particular circumstances, the services, risks, fees and expenses associated with advisory services and brokerage services.

For More Information

We encourage you to carefully consider the differences between brokerage and advisory relationships particularly in terms of our obligations to you, the services provided, and the costs. When determining which type of relationship and account is right for you, you should consider the type of services you would like to receive and your existing and anticipated level of transaction activity. Our advisory services disclosure documents, which are available upon request, provide additional information, including disclosure of conflicts of interest.