

Weissbluth Lands War Chest for HighTower Advisors

The \$100 Million Haul Means the Chicago Company can Battle Wirehouses for Talent on Equal Footing

By Brooke Southall

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Editor's Note: *I was able to grab a few comments from Elliot Weissbluth yesterday evening as he waited to board a flight next to a loudspeaker with unremitting announcements. Mobile phone reception wavered and then blinked out a couple of times as he was herded down the tunnel into the jet. Elliot dutifully called me back each time reception failed until a flight attendant with an imperious eye shut him down permanently. In the meantime I found out quite a bit about why wirehouses have a challenge to face from HighTower in coming years. And it's not just Elliot's seemingly unflagging endurance for crisscrossing the country in seeking to accomplish his mission.*

HighTower Advisors reported yesterday that it has secured \$100 million in capital, a stunning figure that is the largest amount raised by a serial buyer of advisory practices in recent memory. The money will give the 14-month-old upstart a significant edge over rivals

in recruiting wirehouse brokers.

The latest financing brings to \$165 million the amount that the Chicago-based registered investment advisor and broker-dealer has raised in the last 20 months.

“From HighTower’s perspec-



tive, it’s a coup,” says John Furey, principal of Advisor Growth Strategies in Phoenix, Ariz. “If you look at other roll-up firms, nobody’s getting financing at that level.”

In November, Manhattan-based Focus Financial raised \$50 million raised from Polaris Ventures and Summit Partners, both of Boston.

Much of the \$100 million raised by HighTower is coming from Asset Management Finance of Boston and New York, in which Credit Suisse is a significant investor.

HighTower partners, including David S. Pottruck, former CEO of The Charles Schwab Corp., and Philip J. Purcell, Morgan Stanley’s former CEO, are contributing the remainder. HighTower declined to specify how much

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each investor contributed.

Though the investors pledged the funds back in September, the ensuing months were needed to develop the right legal agreement, according to HighTower CEO Elliot S. Weissbluth.

“It’s a very complicated deal,” he says.

NO DILUTION

The agreement calls for no dilution of ownership in HighTower for the principals of the 10 practices that have already joined

HighTower, Weissbluth adds.

The capital infusion will allow HighTower to accelerate its already ambitious recruiting plans and enable it to branch out geographically.

HighTower now has plans to open offices in Los Angeles and San Diego – something it could not have afforded to do without the additional capital. It already had plans for San Francisco.

Los Angeles is likely to be the first city in which HighTower will open a new advisory office, according to Weissbluth.

“I spent all last week in LA,” he adds to emphasize the point.

There are myriad ways that big capital boosts HighTower, Furey says. If its recruiters identify an advisor that they really want to land, but they confront another bidder, HighTower’s recruiters now have the flexibility to sweeten their offer with more cash up front.

In other instances, HighTower may be interested in bringing aboard an advisor who accepted a retention bonus from a wirehouse firm like Merrill Lynch or Morgan Stanley Smith Barney.

BUY YOUR OWN FREEDOM

“You need to buy your own freedom, or you need another party to buy out the note and that’s a role HighTower can play” on behalf of breakaways, Furey says.

The capital may also enable HighTower to fund the opening of an office ahead of getting an actual recruitment deal signed. “Few have that,” he says.

Raising such a significant amount of capital all at once will also pay an important side dividend, Weissbluth says. Making the financing deal absorbed half of his working hours from midsummer until December.

With needs for new capital pushed way off into the future, he can now turn his attention to building the business full time. HighTower’s last reported recruit was a UBS team back in early November. HighTower is comprised of 10 practices with combined assets under management of about \$16 billion.

LOCKED UP

One reason that HighTower was able to get such a large amount of cash all at once is because it had numerous financiers hoping to invest. By putting in \$100 million, these investors “locked up” the opportunity, Weissbluth says.

AMF did make its investment knowing that it had competition, says John McAvoy, president of the company. “We get a lot of calls [saying]: we need a lot of money,” he says. “I truly believe [HighTower] had other options.”

McAvoy adds that he was attracted to HighTower [versus four other roll-up-type ventures that he reviewed as potential investments] because it is directed at aggregating breakaway brokers rather than RIAs. He likened pooling RIAs to “herding cats.”

HighTower only officially came into being in November of 2008. So much success in such short order is bound to create its own momentum for the roll-up, Furey says.

“It increases the confidence of an advisor team and feeds the brand they’re trying to build,” he says.



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