

HIGHTOWER ADVISORS LANDS \$4.5 BILLION RIA WITH HELP FROM BIGGER, BETTER, CHECKBOOK

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HighTower Advisors LLC is back in the game -- and upping it.

The Chicago-based national RIA and independent broker-dealer is rolling up Salient Private Client LP, which manages and administers \$4.5 billion of assets for ultrahigh-net-worth investors from Houston, according to the firms. (Salient Private Client had \$2.1 billion of assets under management as of earlier this month, according to its SEC ADV form.) Terms were not disclosed.

HighTower signed the definitive agreement after its CEO, Elliot Weissbluth, spent several "24/7" days in Chicago banging out a deal with Salient's owners to cinch what is now the HighTower's largest UHNW deal in the firm's decade-long history.

"This is a big one," Weissbluth says.

The purchase comes two months after Thomas H. Lee Partners LP closed a \$350-million deal to purchase HighTower accompanied by the pledge to invest an additional \$100 million of cash to buy RIAs.

"This is a great follow-up to the positive development of the capital raise," says **Dan Seivert**, CEO of **ECHELON Partners** of Manhattan Beach, Calif. "Something like this can increase momentum for the firm going forward."

War chest

The size, quality and timing of the Salient purchase bodes well for HighTower, a firm that's appeared embattled in recent years, says Tim Welsh, president of Nexus Strategy in Larkspur, Calif.

"It certainly validates the model of being an acquirer versus being a platform," he says. "They've been predicted to be out of business half a dozen times."

Seivert adds: "For a few years they had their share of negative press coverage and there was no clear path."

The difference-maker is Boston-based Thomas H. Lee and its \$100-million war chest, says Welsh.

"The ability to write a check is paramount and I'm sure it was a big number," Welsh says. In the past, Weissbluth wrote checks, but smaller ones. The HighTower deals looked more like wirehouse signing bonuses and often included a large swath of HighTower stock. But that has changed as the firm shifted to buying RIAs rather than recruit brokers.

Wealth unit spinoff

Weissbluth described a qualitative difference in the process of forging this Texas-sized deal, a function, he says, of cutting out the cloak-and-dagger skulking necessary in poaching wirehouse brokers.

"I'm used to Seal Team Six," he says. "It's quite lovely getting to know people and walking through the front door."

Weissbluth adds that once word got out about HighTower's new ownership, it sparked inbound calls from UHNW-client firms like Salient.

Not included in the deal are some of the firm's principals, including John Blaisdell who is chairman and CEO of Salient Partners LP, which is spinning off its wealth management arm to concentrate on its asset management business, which manages \$9 billion.

The spinoff of the wealth unit makes sense, Welsh says. "You get fatter multiple so that's a no-brainer and they're at the top of the market."

In an interview, Blaisdell said liquidity was not the main issue and that the sale was done in the interests of clients. Salient sold a 50% stake to Sanders Morris Harris LLC in 2003, which it bought back in 2008.

Matter of trust

Salient Private Client will be rebranded as HighTower Private Client and will encompass 45 staff divided into four teams.

The combination lifts both firms, according to their principals. Salient gets an immediate upgrade for its platform, Blaisdell says, allowing for more product selection, technology and other benefits of scale.

HighTower gets a trust company in the deal that can immediately be used to house trust assets of its other advisors who manage and administer an additional \$50 billion of assets.

"It's really one plus one equals five," Weissbluth says.

Welsh agrees. "You'd have to buy maybe 12 firms to check all these boxes" -- including a Texas presence, a trust company, scale etc.

He adds: "A trust company is really important for doing multigenerational planning and you don't want to have to involve a bank."

Seivert seconds Welsh on that point, saying that trust companies are hard to start from scratch because of a chicken-and-egg issue: the talent won't come on without big assets and vice-versa.

"Faster-growing, larger firms like HighTower always face the challenge of technology and human capital issues but deal and capital raises like [T.H. Lee and Salient]" help the market see the glass as half full, Seivert adds.
