

# LOWELL WEALTH MANAGEMENT

The logo graphic consists of several parallel, slanted lines in a gold or yellowish-brown color, arranged in a way that suggests a stylized 'L' or a series of upward-pointing arrows.

4021 84<sup>TH</sup> Street, Suite 100  
Lubbock, TX 79423

Find us on the web at: <http://www.lowellandco.com/new/lowellandco/default.asp>

For information contact us:

By Phone: 806-747-2644  
By Facsimile: 806-747-2646  
By e-mail: [teri@lowellandco.com](mailto:teri@lowellandco.com)

This brochure was prepared on March 30, 2012.

This brochure provides information about the qualifications and business practices of Lowell Wealth Management. If you have any questions about the contents of this brochure, please contact us at (806) 747-2644 and/or [teri@lowellandco.com](mailto:teri@lowellandco.com). The information in this brochure has not been approved or verified by the Texas State Securities Board, the United States Securities and Exchange Commission or by any state securities authority.

## **Material Changes**

Lowell Wealth Management has not made any material changes to the information contained in this brochure since the previous brochure was filed on March 15, 2011.

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## **DESCRIPTION OF OUR ADVISORY BUSINESS**

Lowell Wealth Management (or “LWM” if abbreviated) has been in operation as an investment advisor since 1991. William H. Lowell is the owner of Lowell Wealth Management. Lowell Wealth Management itself is the trade name we use for our investment advisory business; the company’s legal name is Lowell & Company, Inc.

LWM offers a variety of services to our clients. Our main business is providing “investment supervisory services”. This service means that we manage your money and try to get the highest earnings and return on assets you place with us to manage. We manage your assets after finding out what you need your investments to do and how much risk you are willing to tolerate. So that we can react quickly to any changes in the investment market, our usual agreement includes you giving LWM trading authority over the assets placed in our care. At the end of 2011, LWM managed 168 accounts on a discretionary basis and had \$33,167,135 of assets under management.

In some cases, we will evaluate investments that a customer has with our affiliated broker or elsewhere and offer alternatives for other investments or strategies. This is not “investment supervision”, but does involve providing investment advice. Depending on the frequency of the reviews, reporting to the client, and our involvement with any trading done to implement our advice, this activity can be termed “investment management”. The major difference between this type of service and “investment supervision” is that we do not have trading authority over the clients’ assets in this situation.

Another service we provide is advice on securities that may not be widely available or appropriate for us to charge a management fee for supervising. These types of investments include private placement securities, direct participation (such as limited partnerships or joint ventures) investments, or Private Real Estate Investment Trust. Since others actively manage the clients’ investment in these types of securities, we do not typically charge an advisory fee for providing advice on these types of products.

We will also provide business consulting and individual financial planning. LWM will also perform special projects for a client and client directed research.

## **FEES AND COMPENSATION**

Lowell Wealth Management is compensated primarily through fees based on a percentage of assets under advisory management. This type of compensation may not be appropriate for all of the services we provide or for customers that have a large value of investments to manage. In those cases, we would offer clients alternative compensation arrangements, including hourly charges, fully negotiable fixed quarterly or

annual fees, or commissions for arranging investments made by the client under our advice.

Our advisory fees for investment supervisory services are charged on a sliding scale, depending on the clients' assets under LWM supervision. The percentages charged on assets managed are:

2% annually for assets under management less than \$500,000.00

1.5% annually for assets under management between \$500,000.00 and \$1,000,000.00

1% annually for accounts larger than \$1,000,000.00

These fees are charged in arrears, based on the customer's balance on the last day of the billing period.

If a client has significantly more than \$1,000,000.00 of assets to place under active management, we have the option to offer a fixed fee compensation arrangement. If the client insists on a fixed fee and LWM agrees to this form of compensation, the specific amount of the fixed fee is completely negotiable between LWM and the client.

LWM is affiliated with a FINRA member broker-dealer (Lowell & Co., Inc.) that introduces clients to First Southwest Securities Clearing Corporation on a fully-disclosed basis. While it is not necessary for a client to have an account with our affiliated brokerage firm or First Southwest, it is recommended that our advisory clients use the brokers we have relationships with to perform their securities transactions. LAM does offer clients the option of using TD Ameritrade as the custodial broker to do trades and keep custody of their investment advisory accounts.

Should a client use LWM as their securities broker for the advisory accounts, this creates a potential conflict of interest between the advisor and the client. This conflict of interest exists because LWM has an economic incentive to perform more trades; the commissions will be received by our affiliated company or an individual that is both the advisor and the broker for the client account. To reduce the conflict of interest, LWM will diligently monitor activity in the client accounts to make sure that trades done are of clear economic benefit to the customer and not just trades done to produce commissions.

In the course of purchasing securities, clients will need to pay ticket charges, transaction fees, and commissions charged by the brokerage firms actually involved in buying or selling the securities. We are expecting that the charges for each equity or bond trade, including ticket charges, fees, and commissions will not exceed \$250 per trade and often be far less than that amount. Furthermore, the customer may be charged management fees by mutual fund managers, if mutual funds are acquired by the customer. LWM has made arrangements to purchase advisor class shares, which will eliminate initial sales charges and reduce continuing commissions. Customers will still be charged management fees on the mutual funds by the mutual fund managers.

Separate brokerage disclosures showing the exact fees charged by brokers with whom we have business affiliations or business arrangements will be given to our clients along with this brochure.

LWM charges \$1,000.00 for individual financial planning.

LWM charges specifically negotiated fees for business financial consulting, including business exit planning. Fees charged in this manner for this service have not exceeded \$15,000.00 for any one engagement during LWM's operating history.

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

LWM has not charged performance based fees in the past, but reserves the right to do so on the assets managed for qualified clients. Performance based fees will be charged on annual portfolio returns greater than 10%; LWM will charge 20% of the client's total gain that exceeds 10% in a calendar year.

At this time, no client assets that are charged a performance fee are managed on a side by side basis with assets that are not charged a performance fee.

## **TYPES OF CLIENTS**

LWM provides advisory services mostly to individuals. A small number of these individuals would be considered "high net worth individuals", but LWM does not specifically market its services to high net worth individuals. It is also expected that LWM will provide services to small businesses, such as sole proprietorships, partnerships, and small corporations. Again, LWM will not specifically market to business clients, but it is expected that some of our individual clients will be small business owners that may want advisory services for their businesses.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

LWM will primarily use fundamental analysis in its evaluation of investments we will advise our clients to purchase. We are focused on long-term investing for growth and capital preservation. A client's risk tolerance, age, investments objectives, and net worth are all important criteria we use in formulating an overall strategy. While LWM makes every effort to manage risk, even for our clients with more aggressive investment styles, no investments are completely free of all risks. Investments may decline in value or lose some or all of the client's original principal investment.

If the client selects the Long –Term Managed Portfolio Strategy, we focus on value investing, which is the purchase of quality investments when the price of the investment is at or below what the investment's underlying fundamentals would normally indicate. The individual portfolio is tailored to meet the clients objectives and risk tolerance with a variety of stocks, bonds, exchange traded funds, and mutual funds.

If the client selects the Momentum Strategy, we will select a portfolio of open – ended and closed mutual funds. We utilize a TD Ameritrade Advisors Fund Screening Tool to develop a diversified portfolio of funds tailored to the client's objectives, time horizon for investing, and their risk tolerance. The tool screens over 7,000 funds to derive a mutual fund portfolio allocation specific to the client's net worth, investment objectives, time frame for investing, and risk tolerance.

Our investment strategy will emphasize long-term total return. We will seek investments that can consistently grow, pay dividends or interest at or above prevailing market rates, and not expose our clients to excessive risk. LWM will not normally do high-frequency trading in our clients' accounts. For a small number of clients and in special circumstances we will trade more frequently to take advantage of speculative opportunities or shift portfolios in the event of major economic events. LWM does try to minimize the level of trading activity in our client's accounts, unless there is a clear economic benefit for the client in more frequent trading.

Clients are reminded that all investments carry some risk of loss. LWM will carefully consider the potential for loss of principal prior to recommending any investment, but even the most prudently managed mutual funds and highest quality stocks and bonds will have price fluctuations and perhaps even long term reductions in price (market value). A client may need cash when an investment is priced lower than the price the client paid for it. LWM will not have any control over market and economic conditions that will reduce the prices for which investments can be liquidated. LWM will attempt to reduce the client's potential for loss, but cannot completely eliminate the possibility of principal loss.

## **DISCIPLINARY INFORMATION**

There are no individuals associated with LWM that have reportable disciplinary events.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Lowell Wealth Management is the operating name of the investment business segment of Lowell & Company, Inc. Lowell & Company Inc. is also a brokerage firm, Member FINRA, SIPC and registered with the Securities and Exchange Commission and the States in which we do business as a brokerage firm.

Lowell & Company, Inc. is also an Insurance Agency, registered as such with the State of Texas.

Lowell Wealth Management, in addition to being registered as an Investment Advisor, securities Broker-Dealer, and Insurance Agency, has relationships with other broker-dealers that are crucial to our investment advisory business. We use two securities brokers to take custody of our client funds and securities and execute securities trades for our clients. The first broker is First Southwest Clearing, which is the custodial and clearing firm for whom Lowell & Co., Inc. acts as an introducing broker. Put simply, any client opening an account with Lowell and Co., Inc. will have their funds kept at First Southwest, and First Southwest will execute and clear all of the customer's trades.

LWM may also use TD Ameritrade as the custodian and executing broker for clients choosing the Momentum Strategy. Our arrangement with TD Ameritrade is limited to the purchase, exchange, and sale of mutual funds.

## **CODE OF ETHICS, PARTICIPATION IN CLIENTS TRANSACTIONS AND PERSONAL TRADING**

LWM has prepared a firm wide Code of Ethics for our investment professionals; the Code emphasizes the obligations of our firm and its employees to act in the best interests of our clients in providing investment advice. The Code of Ethics also specifies conduct prohibited by LWM. Violations of the Code are cause for disciplinary action by LWM. The Code also requires that the CCO vigorously enforce the Code. A



full and complete copy of the Code of Ethics will be provided to our clients and to prospective clients on their request.

LWM will not normally participate in client transactions. The investments that we recommend will normally be:

- mutual funds operated by unrelated fund managers;
- widely traded equities or bonds;
- Third party sponsored REIT's or other DPP's; or
- Other broadly traded investments in which LWM or has no financial interest.

There may be rare circumstances in which a cross agency trade happens (this is where one customer buys or sells a security that another customer owns or is acquiring); any cross agency trades will be executed by the clearing firm and take place at prevailing market prices. LWM will be limited in any potential cross agency trading involving customer securities. Recommending that a client invest in an entity that an SCAA employee has a material (more than 1%) interest will be absolutely prohibited, without a clear disclosure of the facts of the investment and written affirmation of the trade by the advisory client.

LWM employee trading will be monitored and recorded. Our Code of Ethics prohibits trading ahead of a customer order or using any other scheme to obtain a better price on securities than the price a customer would pay when we have a customer ratification of an order in hand.

## **BROKERAGE PRACTICES**

LWM is part of a FINRA member, SEC registered brokerage firm that introduces accounts to First Southwest Clearing Corporation on a fully disclosed basis. We will recommend to our clients that they implement our investment advice through our affiliated broker. The clients will benefit from this arrangement due to:

- Easier monitoring of their investment portfolio and performance by their Advisor;
- Timely implementation of investment changes recommended by their Advisor,
- Convenient billing to the client for Advisory services; and
- Familiarity by their Advisor with the order processing and cash handling procedures of the clearing broker (which will promote better customer service).

Using LWM's recommended broker will make things more convenient for our client.

The primary drawback to the client (if they elect to use our recommended broker) is that the Advisor assigned to their account may also be a registered representative of the broker. This could induce the broker to trade more frequently in the client's account, which will have economic benefit to the advisor/representative assigned to the client, but increase the client's costs and reduce potential investment returns. This conflict of

interest will be minimized by account reviews done by LWM management and the requirement that Advisors which are also the brokerage representatives adhere to LWM's investment model of long-term buy and hold investment strategy. LWM will have little tolerance for trading activity recommended to the client which does not have a clear economic benefit for the client.

The client should consider that even if the client's account advisor is not getting paid for trades done through the affiliated broker, the brokerage activity will benefit the owner of LWM, due to the advisory firm and introducing broker being one and the same.

Clients using the Momentum Strategy will be recommended to use TD Ameritrade as the custodial and executing broker for their mutual fund investments. LWM does not receive brokerage compensation from TD Ameritrade for mutual fund trades. TD Ameritrade does offer LWM the use of the mutual fund screening tool; however, LWM does not have any requirements for accounts opened or assets placed with TD Ameritrade in order to use this service.

## **REVIEW OF ACCOUNTS**

LWM will review accounts quarterly. More frequent reviews will be done at the client's request or for accounts that appear on various exception reports produced by the clearing firm. William Lowell is the primary review for the advisory accounts.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

At this time, we have no plans to pay other RIA firms or 3<sup>rd</sup> parties for client referrals. We do not receive, nor do we seek compensation from mutual fund issuers for directing client assets to their funds.

As mentioned previously, we are able to use a mutual fund screening tool from TD Ameritrade. This could be considered "soft dollar compensation" given to our firm from TD Ameritrade. "Soft Dollars" are services or price breaks that LWM receives from brokers for keeping our accounts with them or trading through their firm. The soft dollars can take the form of reduced ticket charges, which may or may be advantageous to our customers (depending on how we price their trading charges) or being given research, software, or equipment that we would normally pay for; these goods and services may not provide any direct or indirect benefit to our customers.

In a soft dollar arrangement, the impact to the customer may be subtle. The main problem with this arrangement is the potential for soft dollars to influence our choice in brokerage firms and the firm that we use not being the best value for order execution, service, or soundness when compared to other brokerage firms. We will disclose to our customers any services or goods given to us by any 3<sup>rd</sup> party; this includes soft dollar

arrangements. Since TD Ameritrade does not place any requirements for trading volume or accounts placed with their firm for us to use the fund screening tool, we do not consider this situation as creating a conflict of interest that is harmful to our clients.

## **CUSTODY**

LWM does not take custody of our clients' assets in whatever form those assets are in. All client assets under management will be held at First Southwest or TD Ameritrade, if the client accepts our recommendation to use brokers with whom we have existing relationships.

Any requests for fund withdrawals must be directed to the broker holding the client's funds.

LWM does not bill clients more than 6 months in advance.

## **INVESTMENT DISCRETION**

LWM manages client accounts on a discretionary basis. LWM determines the specific investments to meet client objectives and performs the trading we believe is necessary to achieve those objectives.

## **VOTING CLIENT SECURITIES**

Client equity securities will be held at our clearing firm. Our clients will have a brokerage account at First Southwest Clearing Corp. or other institution that will forward proxies to clients or vote proxies in accordance with rules covering voting of proxies. LWM will not provide any advice or inducement to clients on any proxy vote.

## **FINANCIAL INFORMATION**

As LWM does not bill its clients more than 6 months in advance, take custody of our clients' funds, hold investments for our clients, or accept trading authority over our client's assets, current SEC rules do not require disclosure of LWM's financial information to our clients.

The SEC does requires us to have sufficient assets to meet our obligations, and LWM complies with this requirement at this time. We are further required to tell our customers or prospective customers if we become aware of a financial situation, such

as a lawsuit that could have a profound impact on our financial condition. We are not aware of any such situations at this time.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

LWM will be registered with the United States Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply endorsement or recommendation by the Federal Government, nor does it imply special training, education, or background for SCAA's owners or employees.