

# **FIRM BROCHURE**

(Part 2A of Form ADV)

**March 15, 2017**

## **BRIAN D. LOWDER, INC.**

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This Brochure provides information about the qualifications and business practices of BRIAN D. LOWDER, INC. ["ADVISED"]. If you have any questions about the contents of this Brochure, please contact us at 858 794-6800 or mail@bdlowder.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

BRIAN D. LOWDER, INC. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Delivering a brochure or brochure supplement in compliance with this section does not relieve BRIAN D. LOWDER, INC. of any other disclosure obligations we have to our advisory clients or prospective clients under any federal or state laws or regulations. Additional information about BRIAN D. LOWDER, INC. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 1: Cover Page**

See previous page.

## **Item 2: Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated June 1, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Jennifer Finley, Office Manager at 858 794-6800 or [jenn@bdlowder.com](mailto:jenn@bdlowder.com). Our Brochure is also available on our web site [www.bdlowder.com](http://www.bdlowder.com), also free of charge.

Additional information about BRIAN D. LOWDER, INC. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with BRIAN D. LOWDER, INC. who are registered, or are required to be registered, as investment adviser representatives of BRIAN D. LOWDER, INC.

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## Item 4: Advisory Business

BRIAN D. LOWDER, INC. ("ADVISER") provides fee-only financial planning and investment management services to individuals, families, trusts, corporations and charitable organizations. The firm was established in October, 1987 by Brian D. Lowder and remains 100% owned by Mr. Lowder. BRIAN D. LOWDER, INC. is a Registered Investment Adviser with the Securities and Exchange Commission.

Financial planning and investment management services are suitable for individuals and small business owners across a broad range of occupations, ages and financial circumstances. The common theme is each business, person or family is facing a major financial decision or a life transition such as; growth of a business, a pending retirement, need to develop an investment plan, receiving an inheritance, a change in marital status, job transition, college education expenses, or the birth of a child.

BRIAN D. LOWDER, INC. receives compensation under one or more of the following three methods described below. Under all circumstances, all compensation is fee-only and no commissions or referral fees are paid to or received by employees or owners of BRIAN D. LOWDER, INC.

**Wealth Management/Financial Planning:** Applicant provides, on a fee-only basis: a) investment advice, counseling, selection and management; b) tax planning; c) retirement planning; d) estate planning; e) business planning; f) college funding and planning strategies and; g) risk management. These services, depending on client needs, may be contracted for separately or coordinated and integrated in a comprehensive financial plan. Fees are determined based on either: a) an hourly rate not to exceed \$250.00 per hour, which includes the preparation of the written analyses and recommendations or b) a fixed fee quoted in advance for Financial Planning services. The lesser of one-half the total fee or \$500.00 is due and payable upon signing the Financial Planning Agreement. The balance is due and payable upon presentation and delivery of the written financial plan. Clients may implement the financial advisory recommendations themselves, through other professionals or through the ADVISER.

Fees for **Continuing Services** provided under a Financial Planning Agreement or Continuing Services Agreement (e.g. counseling, reviews, implementation, periodic updates or other specific tasks) are based on the hourly rate not to exceed \$250.00 per hour or flat fees quoted in advance, and are billed periodically for services rendered.

**Investment Management:** BRIAN D. LOWDER, INC. offers investment management services defined as the process of preserving and increasing your wealth by creating, selecting, and continuously monitoring a portfolio of securities. The investment management process begins with the ADVISER creating a written *Investment Policy Statement (IPS)*. The IPS is tailored to each company, trust, individual or family's specific

needs and circumstances by identifying and stating each client's unique objectives, risk tolerance, constraints, target investment return, time horizon, income tax implications, and unique circumstances. The IPS is presented, reviewed with or without changes, and approved by clients before any securities are selected, purchased or sold.

Investment selection process begins with assessing the macro economic environment, identifying trends and assessing their likely impact on each type of investment or asset class performance. A recommended asset allocation (the process of choosing what proportion of a total portfolio should be invested in each asset class or category) is developed based on the preceding economic analysis, the client objectives and client risk profile. The portfolio design is tailored to meet each client's specific objectives and risk tolerance. Managed accounts are not assigned to a pre-determined model portfolio or generic risk profile and invested in the same securities. Clients may impose restrictions on investing in certain securities or types of securities and those restrictions, if any, must be clearly identified and included in the IPS. ADVISER reserves the right to accept or terminate the investment management agreement if restrictions requested and imposed by the client would prevent or hinder ADVISER's ability to manage the portfolio according to the stated objectives.

The ADVISER'S core investment philosophy places a high priority on fundamental investment analysis, diversification, a long-term investment horizon and infrequent trading. However, the ADVISER can and will make infrequent tactical (short-term) changes or shifts to the overall asset allocation when opportunities arise, exogenous events warrant changes and when the ADVISER'S confidence level is high regarding the necessity of a tactical change. Portfolio holdings are monitored continuously and adjustments are made when necessary to reflect changing market conditions, new investment opportunities, or when changes occur in client needs or circumstances. All investment selections and holdings are marketable (able to sell daily) and quarterly portfolio and performance reports are delivered to clients following each calendar quarter.

Prior to the implementation and management of client portfolios, a written agreement setting forth the terms, conditions and fees must be signed by both parties. ADVISER will provide this Brochure and Supplemental Brochure(s) to each client and prospective client and will continue the advisory relationship until terminated by either party. ADVISER will request current and historical portfolio information on existing account holdings from each client including, but not limited to, cost basis of investments and purchase dates. ADVISER will NOT assume responsibility for the accuracy of the information provided by the client or the client's other professionals (accountant, former advisor, broker-dealer). Clients are responsible for notifying ADVISER of any and all material changes to the client's financial situation, risk tolerance, retirement status or any other event that may warrant changes to the overall portfolio asset allocation or individual holdings.

Annual fees are charged for Portfolio or Investment Management services. Fees are based on a fixed annual amount or a percentage of assets managed, and are payable quarterly. Under special circumstances investment management fees are negotiable. One-fourth of

the total annual fee is payable quarterly, computed in arrears, and based on the ending quarterly asset value. Quarterly fees are deducted from the investment accounts upon written authorization from each client or invoiced to the client and paid by check. Either party may terminate the Investment Management Agreement at any time by written notice delivered to the other party. A prorated refund, if any, of the annual investment management fee will be determined and delivered no later than 30 days from receipt of termination notice.

**Late Fees:** Clients are subject to a late fee computed at the rate of 1.5% per month, on any unpaid and outstanding billing statements unpaid after a thirty day grace period. The computation period begins 10 days after the date of the billing statement.

As of December 31, 2017, the total number of client assets under management by BRIAN D. LOWDER, INC. on a discretionary and non-discretionary basis was:

<u>Type of Account</u>	<u>Assets Under Management</u>
Discretionary	\$251,124,702
Non-Discretionary	\$ 362,118

The total number of discretionary investment management clients or client relationships was 189. The total number of investment accounts belonging to the 189 clients was 607. In addition, the ADVISER has one non-discretionary client relationship consisting of 3 accounts totaling \$362,118

## **Item 5: Fees and Compensation**

All investment management, financial planning, wealth management and consultation services are defined in a written agreement (contract) setting forth the terms, conditions and fees before BRIAN D. LOWDER, INC. will render its services. All fees are subject to negotiation at the sole discretion of the ADVISER. The primary determinants of fee reductions are based on the complexity of the financial advisory services. For investment management services, fee reductions may be negotiated based on the size of the total assets under management and whether the target return and risk objective is below-average or relatively conservative.

### **Financial Planning/Wealth Management Fees**

These services may involve an analysis of a client's entire financial situation all at once or the initial services may be focused on addressing or resolving a specific area of immediate concern such as retirement planning, education funding, business planning, income tax planning, debt refinancing, etc. These services, depending on client needs, may be coordinated and integrated in a comprehensive financial plan or addressed individually as

needed or requested by the client. Under either circumstance, a written proposal is provided which specifies the scope of the services requested or recommended and the fees are determined as follows:

**Fixed Fee:** A fixed or flat fee is identified in advance before a written contract is executed. A portion of financial planning fee up to a maximum of \$500 is collected in advance and the balance of the flat fee is due and payable upon completion and presentation of the financial plan.

**Hourly Consultation Fee:** Fees charged for consultations or continuing services are based on an hourly rate not to exceed \$275.00 per hour. Invoices are billed directly to clients and are due and payable upon completion of the consultation(s).

### **Investment Advisory**

**Portfolio Review:** Occasionally, clients may request an overall review of their current investment accounts and the specific individual securities held within the accounts with expressed the intent to retain the ongoing investment management responsibilities themselves. ADVISER may elect to perform the portfolio review and provide specific buy, hold and sell recommendations within a prescribed asset allocation. The portfolio review fee is **one-third of 1% (0.3%)** on the total value of the account(s) under review and is due upon presentation and delivery of the portfolio review. ADVISER does not implement the recommended changes nor assume any ongoing responsibilities of monitoring, evaluating or making recommended changes upon completion of the portfolio review. The portfolio review service excludes ongoing asset management (discussed below).

**Investment Management:** The specific manner in which fees are charged by BRIAN D. LOWDER, INC. for ongoing or continuous asset management services is established in a client's written agreement (contract). BRIAN D. LOWDER, INC. will generally bill its ongoing asset management fees on a quarterly basis. All new clients are billed in arrears at the end of each calendar quarter. Clients may elect to be billed directly for fees or to authorize BRIAN D. LOWDER, INC. to directly debit fees from client accounts. Management fees shall be prorated when capital contributions and/or withdrawals equal or exceed 10% of the account value when made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

BRIAN D. LOWDER, INC.'s investment management fees are exclusive of discount brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. BRIAN D. LOWDER, INC. and supervised persons recommend discount brokerage firms to custody client accounts and to implement securities transactions. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by mutual fund managers, custodial fees, odd-lot differentials, transfer taxes, wire transfers, electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such

charges, fees and commissions are exclusive of and in addition to BRIAN D. LOWDER, INC.'s fee and BRIAN D. LOWDER, INC. shall not receive any portion of these commissions, fees, and costs. All mutual fund recommendations do not charge commissions or more commonly known as are no-load mutual funds.

ADVISER and employees of ADVISER will generally recommend discount brokerage firms to custody and implement securities transactions. Although transaction costs are a primary consideration when selecting a brokerage firm, the discount brokerage firms recommended may not necessarily provide the absolute lowest cost for trade executions as broker size, financial stability, years in business, execution, reporting services and other parameters are also considered in the selection process. Clients may purchase or sell securities through any broker of their choice and are under no obligation to purchase securities through ADVISER. For those clients who prefer to conduct trades on their own behalf, several discount brokers will be identified by the ADVISER.

Item 12 further describes the factors that BRIAN D. LOWDER, INC. considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Annual fees are charged for **Portfolio or Investment Management** services. Fees are based on a fixed annual amount or a percentage of assets managed, and are payable quarterly. Fixed annual fees are negotiable. Percentage fees are as follows:

- (a) The minimum annual fee is \$ 5,000.00 or \$ 1,250.00 per quarter
- (b) 1.00% on asset value up to \$750,000, plus
- (c) 0.90% on asset value between \$750,000 and \$1,000,000 plus,
- (d) 0.70% on asset value between \$1,000,000 and \$2,000,000, plus
- (e) Negotiated from \$2,000,001 and up

Late Fees: Clients are subject to a late fee computed at the rate of 1.5% per month, on any unpaid and outstanding billing statement(s) that remain unpaid after a thirty-day grace period. The computation for the grace period begins ten (10) days following the date on the billing statement.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

BRIAN D. LOWDER, INC. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7: Types of Clients

BRIAN D. LOWDER, INC. provides portfolio management and financial planning services to individuals, retirees, executives and professionals, business owners, high net worth individuals, corporate pension and profit-sharing plans, trust accounts, charitable institutions, foundations, endowments, and IRA accounts. For investment management clients, the minimum account size is \$500,000. However, BRIAN D. LOWDER, INC. may, in its sole discretion, accept and retain clients with combined minimum account size of less than \$500,000.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. To properly address the tradeoff between risk and return, each client portfolio is uniquely designed. BRIAN D. LOWDER, INC. does not create and maintain a set number of “model” portfolios and require all clients to be assigned and similarly invested in one of the categories; for example conservative, moderate, income or growth oriented.

ADVISER'S primary method in formulating investment advice begins with a thorough analysis and evaluation of each client's investment goals, objectives, desired or target rate of return, risk tolerance, time horizon, income tax implications and several other parameters and unique circumstances. This evaluation and assessment is provided to each client in a written and signed *Investment Policy Statement (IPS)*.

With a clear understanding of each client's risk and return objectives, investment strategies are developed that place a high priority on fundamental investment analysis, diversification, portfolio balance and infrequent trading. Our methods of analysis begin with a macro view or “top-down” evaluation of the overall economy and financial markets. The purpose for beginning with a macro view is to develop an opinion as to whether stocks, bonds, and other asset categories are relatively fairly priced, undervalued, or over-valued and to identify which industries or segments of the economy may perform better or worse given current conditions.

Second, ADVISER will recommend a target asset allocation (asset allocation is the process of determining what proportions of a client's total assets should be invested in various asset classes such as stocks, bonds, real estate, etc.) and further recommend how assets should be allocated within each primary asset class (i.e. growth, income, large companies, small companies, international, etc.). Lastly, ADVISER will provide specific investment

recommendations and identify which portfolio holdings should be bought, sold, or held in the portfolio.

Strategic, Tactical, and Core and Satellite asset allocation methods are the primary strategies used to implement investment recommendations and ascertain that the fundamental features of all investment holdings coincide with the clients' investment objectives and risk tolerance.

Strategic asset allocation is a traditional approach and core concept to determine how much of each individual's total assets should be invested in various investment categories in order to achieve his/her objective without exceeding his/her risk tolerance. Once the asset allocation is determined (such as 50% stocks, 40% bonds and 10% cash), the proportion should be maintained over long periods of time rather than reacting to market changes. Periodically, the portfolio is rebalanced back to its original allocation. Simply stated, this approach is a static buy-and-hold strategy. The primary benefits of using Strategic asset allocation are a) achieving predictable results equivalent to the performance of the overall financial markets, b) less costly (lower trading expenses) than actively managed strategies, and c) income tax efficient (fewer changes minimize taxable gains/losses). Therefore, a Strategic or static asset allocation model is an appropriate strategy for the "core" portion of investment portfolios. The primary risk of this approach is staying fully invested within the prescribed asset allocation even when financial markets drop or when certain asset classes become overvalued. There is no allowance for adjusting the portfolio towards or away from more conservative or aggressive categories.

Tactical asset allocation begins with creating a static or fixed asset allocation or mix of investment categories but permits changes or tactical deviations to take advantage of unusual or exceptional investment opportunities. This flexibility allows for participation in economic conditions that are more favorable for one asset class over others. Once the purpose for making the change or when the opportunity has run its course, then the portfolio is rebalanced back to its long-term asset mix or position. The primary risk of this approach is incorrect analysis or surprise events may occur and produce unexpected or inferior results when compared to a buy-and-hold strategy.

The Core and Satellite or core-and-explore asset allocation is a hybrid of the strategic and tactical allocations identified above. Here the portfolio is made up of two components. The **core** portion is made of stocks, bonds, real estate, etc. using index funds and individual securities that closely match the market returns in each asset class and represent the strategic portion of the portfolio – usually 50% to 80% of the total. The remaining portion represents the **satellite** portion of the portfolio where a tactical approach is implemented to take advantage of short-term opportunities or to emphasize certain investments classes or individual selections.

BRIAN D. LOWDER, INC. uses the Core and Satellite asset allocation approach in most cases because it allows for both discipline and flexibility in the investment management process. The core portion of the portfolio provides diversification, market returns, reduced expenses and a framework to stay within the guidelines established in the *Investment Policy Statement* that are unique to each client. In addition, each asset class is assigned a

range rather than a specific percentage number. For example, ADVISER may recommend that large-company U.S. stocks represent 30% of the total portfolio. To allow for flexibility, the range of large U.S. stock holdings may be assigned a 20% to 40% range in order to reduce and minimize risk in down markets or increase exposure during a growing economic environment. The satellite portion allows flexibility to pursue short-term investment opportunities or to emphasize specific investments or categories agreeable to both investment manager and client without having to stay within the rigid boundaries of a static, long-term buy-hold framework.

BRIAN D. LOWDER, INC. may recommend a variety of particular investments such as individual securities, index funds, exchange-traded funds (ETF's), mutual funds, etc. In all cases, investment selections and recommended securities are marketable and trade on organized stock exchanges. ADVISER does not recommend illiquid securities, private placements, partnerships, or other securities that are not marketable and cannot be sold readily through an organized stock exchange. Although ADVISER does not purchase or manage illiquid securities, clients may already own or hold ongoing interests in partnerships that were purchased previously to the advisory relationship and the ADVISER may provide advice and recommendations for these securities.

The main sources of information ADVISER uses for investment selection include: Financial newspapers, magazines, corporate and mutual fund rating services, research materials prepared by others, quarterly/annual reports, mutual fund prospectuses, filings with the Securities and Exchange Commission, company press releases, and other research services.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of BRIAN D. LOWDER, INC. or the integrity of its management. BRIAN D. LOWDER, INC. and all management persons with the firm have not been subject to any legal or disciplinary event and thus have no disciplinary information to disclose with respect to this Item.

## **Item 10: – Other Financial Industry Activities and Affiliations**

Neither BRIAN D. LOWDER, INC., nor any member of its management is registered as a securities broker-dealer. ADVISER does not have any affiliation with any related person who is a broker-dealer, investment company, insurance company or agency, hedge fund, financial planning firm, commodities trading advisor, futures merchant, banking or thrift institution, accounting or law firm, real estate broker or dealer or any entity that creates or markets private partnerships.

Neither BRIAN D. LOWDER, INC., nor any member of its management has any arrangements, oral or in writing, to receive cash or any economic benefit (such as referral fees, equipment, free subscriptions, etc.) from a non-client in connection with giving financial planning or investment advice to clients.

## **Item 11: Code of Ethics Participation or Interest in Client Transactions**

BRIAN D. LOWDER, INC. has adopted a Code of Ethics (“the Code”) that requires all principals, officers and staff, hereafter referred to as “supervised persons”, to observe and comply with the Code and the principles that guide the Code. The purpose of the Code is to assure uniform standards of ethical conduct are maintained by supervised persons to protect the integrity of BRIAN D. LOWDER INC., avoid circumstances that might reflect unfavorably upon the firm and to demonstrate loyalty, good faith and fiduciary duty towards its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, personal securities trading procedures, distribution of the Code of Ethics, and general ethical principles. All supervised persons at BRIAN D. LOWDER, INC. must acknowledge the terms of the Code of Ethics and Compliance Manual annually, or as amended. BRIAN D. LOWDER, INC. will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **B. Participation or Interest in Client Transactions and Personal Trading**

BRIAN D. LOWDER, INC does not act as principal or conduct principal transactions where ADVISER buys securities for itself and then sells securities to its own advisory clients. Further, neither ADVISER nor any supervised persons act as general partner in a partnership or any other entity where clients are solicited to invest. Additionally, neither ADVISER nor any supervised persons act as an adviser or solicitor for any mutual fund or investment company that is recommended to clients.

ADVISER and/or supervised persons may own shares of securities, directly or indirectly, that are also recommended to clients. Investment recommendations made to clients may differ or be similar depending upon the client’s stated objectives. Purchases or sales of any exchange-listed security for the personal accounts of supervised persons must first be approved by the Compliance Officer, Brian Lowder, or a member of investment/oversight committee. Client securities transactions have priority over transactions of supervised persons and must follow the transactions made of behalf of clients, except for index and mutual funds. In addition, supervised persons may participate in block trades with clients. Block trades occur when all buy or sell orders for clients and supervised persons for a specific security are totaled, executed together in one large trade, the lower transaction costs are shared equally, and all accounts receive the same average price.

All supervised persons must submit to the Compliance Officer an initial holding report of all securities in which they, their families or trusts of which they are trustees or primary beneficiaries (indirect ownership), own within 30 days of becoming a supervised person and thereafter on at least a quarterly basis. The report or copies of statements shall include the name of the security, trading symbol, date of the transaction, price and the name of the broker-dealer. This requirement may be satisfied and currently is being satisfied by each supervised person by authorizing duplicate confirmations of all trades and monthly brokerage statements to Brian Lowder. Presently, all investment account statements and confirmations of all supervised persons are automatically delivered daily via electronic download to the Compliance Officer. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between BRIAN D. LOWDER, INC. and its clients.

It is BRIAN D. LOWDER, INC.'s policy that the firm will not affect any principal or agency cross securities transactions for client accounts except in the case of individual fixed income (bond) transactions. On occasion, ADVISER may initiate a cross transaction with prior approval from both parties and when it is beneficial for both parties to do so. Cross transactions occur when a specific fixed income security (a bond) of one client is sold (purchased) and simultaneously purchased (sold) by another client. For example, this situation may arise when one client needs liquidity for an immediate withdrawal of funds while another client has received a buy recommendation from ADVISER to purchase the same or a similar fixed income security. When executing a cross transaction, both parties (clients) receive a median price that is better than what either client would normally receive if each transaction was executed individually.

## **Item 12: Brokerage Practices**

### **A. Custodians and Brokers**

BRIAN D. LOWDER, INC. has no economic relationships with any broker-dealer and does not maintain custody of client assets that we manage or assets under which we may provide advice for a one-time fee or hourly rate (although ADVISER may be deemed to have custody of your assets if client gives us the authority to withdraw assets from your account – *see Item 15 Custody, below*). Client assets or accounts must be maintained in an account at a “qualified custodian”, generally a broker-dealer, bank, or mutual fund company. ADVISER may execute securities transactions on behalf of clients either through the client’s existing broker-dealer, directly with mutual fund companies or discount broker-dealers.

ADVISER may recommend or request that clients use Charles Schwab & Co., Inc (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. BRIAN D. LOWDER, INC. is independently owned and operated and not affiliated with Charles Schwab & Company. Schwab will hold your assets in a brokerage account and buy and sell securities when ADVISER or clients instruct them to execute a trade. While ADVISER may recommend that clients use Schwab as custodian/broker, clients will decide whether to do

so. While ADVISER has paper and electronic access to opening an account agreement with Schwab, clients are responsible for entering into an account agreement directly with Schwab. Even though CLIENT account(s) are maintained at Schwab, ADVISER may use other brokers to execute trades in the account as described in the next section below.

## **B. How ADVISER Selects Brokers/Custodians**

ADVISER's Chief Compliance Officer and Investment/Oversight Committee are responsible for identifying, evaluating and approving broker-dealers to use when executing securities trades for clients accounts. ADVISER seeks to recommend and use a custodian/broker who will hold CLIENT assets and execute transactions on terms that are overall most advantageous when compared to other providers and their services. Various factors are included in selecting a broker-dealer including:

- Financial Strength and Stability
- Record Keeping
- Client Statement Reporting
- Transaction Costs and Asset Custody Services
- Ability To Obtain Best Execution Pricing (capability and competitiveness to buy and sell securities)
- Responsiveness
- Reputation And Integrity
- Advisor Services
- Prior Service to ADVISER and CLIENTS
- Capability to Facilitate Transfers and Payments to and from accounts (wire and overnight transfers, check requests, bill payments, etc.)
- Breadth of Investment Products Made Available (stocks, bonds, mutual funds, exchange-traded funds, etc.)

## **C. Products and Services Available to ADVISER from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like BRIAN D. LOWDER, INC. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services which typically are not made available to retail (accounts not working with an independent advisory firm)

customers. Schwab also makes available various support services to ADVISER that help manage and administer client's accounts while other services help us manage and grow our business.

Services that Benefit Clients. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. Some investment products available through Schwab include some to which ADVISER might not otherwise have access or that would require a significantly higher minimum initial investment.

Services that May Not Directly Benefit Clients. Other products and services may assist ADVISER in managing and administering client accounts. Examples include; research, access to client data (duplicate statements and trade confirmations), aggregate or block trade orders, better pricing, and facilitate payment of ADVISER fees paid from client accounts.

Services that Generally Benefit ADVISER. Schwab also offers other services intended to help ADVISER manage and further develop our business practices. These services include:

- \* Educational conferences and events
- \* Technology, compliance, legal and business consulting
- \* Publications and conferences on practice management

Schwab may provide some of these services itself or arrange for third party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment for ADVISER personnel.

Specifically, ADVISER has received a 50% discount on the annual cost of portfolio management software (PortfolioCenter) and ADVISER has accepted 2 tickets to the Farmers Open Golf at Torrey Pines Golf Course.

#### **D. Research and Soft Dollar Benefits**

BRIAN D. LOWDER, INC. does not have any economic relationships with any broker-dealer or any arrangements to receive soft dollar benefits in connection with client securities transactions with any broker-dealer. Soft dollar arrangements are ways of paying brokerage firms for their services through commission revenue as opposed to paying direct payments (hard dollars). For example, a money manager wants to receive or buy research

from a brokerage firm and agrees to execute trades through that brokerage firm that would generate \$10,000 of commissions or transaction costs in return for the research at no direct cost.

BRIAN D. LOWDER, INC. does not require clients to custody their account or direct trade executions through a specified broker-dealer. However, ADVISER generally recommends that client investment accounts be established at Charles Schwab & Company, Inc. ADVISER does receive products and services from Charles Schwab & Co. such as technology and software capabilities to monitor and execute client trade transactions for all or most of ADVISER's accounts. Charles Schwab & Co. provides ADVISER with access to its institutional trading and custody services, which are generally not available to Schwab retail investors.

These services are not contingent upon ADVISER committing to or maintaining any specific amount of business (accounts held at Schwab or trade executions). Schwab products and services that assist ADVISER in managing and administering clients' accounts include software and other technology that i) provide online and computer access to client account data (such as trade confirmations and account statements); ii) facilitate trade execution and allocate aggregated trade orders (block trades) for multiple client accounts; iii) provide research, pricing, and other market data; iv) facilitate payment of ADVISER management fees from its client' accounts; and v) assist with back-office functions, recordkeeping and client reports.

Charles Schwab & Company's advisor division (Schwab Institutional) may waive or discount fees for products and services. Most of the services are designed to help the ADVISER manage investment accounts and share advisors best practices, ideas, technology, marketing and regulatory compliance issues through meetings, publications or conferences. Schwab Institutional may discount or waive fees from third party vendors that would otherwise charge for some of these services or publications. The ADVISER's Chief Compliance Officer and Investment/Oversight Committee's preference of using Schwab Institutional and Charles Schwab & Company as custodian for client accounts is based upon a superior evaluation of the selection factors identified above. ADVISER is aware that including the availability and usage of the foregoing products and services in the total mix of factors it considers in selecting a broker-dealer or custodian of client accounts may create a potential conflict of interest.

#### **A. Referral Fees Broker-Dealers**

BRIAN D. LOWDER, INC. does not have any agreements, arrangements or relationships to receive or pay for client referrals from any broker-dealer, mutual fund company or other professionals (accountants, lawyers, etc.).

### **Item 13: Review of Accounts**

BRIAN D. LOWDER, INC. performs financial planning reviews and updates for clients based on their individual circumstances or needs, upon request, or as agreed in advance. Regular

reports may include updated statements of financial position, education funding, income tax projections, and retirement accumulation/spending schedules. Reports are prepared and delivered according to the initial or subsequent agreement, or as requested by the client.

Investment management accounts are continuously monitored and reviewed with written reports issued at least on a quarterly basis. These reports include Portfolio Summary, Performance Summary, information regarding contributions, withdrawals, current valuation and investment performance for the current quarter, year-to-date, and from the inception of the investment management services with ADVISER.

In addition, ADVISER reviews investment management accounts more frequently if and when the Investment/Oversight Committee determines a tactical shift in the overall asset allocation of clients portfolios is recommended, new investment selections are approved or when changes have occurred in client's overall objectives, goals, risk tolerance and unique circumstances (such as retirement, health concerns, etc.). Other events may also trigger reviews such as changes in tax laws, receipt of an inheritance, employment change or exogenous events that may occur throughout the world.

All reviews and updates are performed by the president of the applicant, Brian Lowder, or Associate Financial Advisers, Michael Kinnear and/or Clinton Winey. All reviewers are instructed to review and compare each client's total asset allocation with the risk guidelines and target asset allocation contained in client's Investment Policy Statement, actual performance of the account and review the account holdings when deposit/withdrawals may change the overall asset allocation.

## **Item 14: Client Referrals and Other Compensation**

BRIAN D. LOWDER, INC. does not pay referral fees, compensation or any other kind of economic benefit from other professionals (accountants, attorneys, etc) or broker-dealers when a prospective client is referred to the firm and/or subsequently becomes a client of the firm. Similarly, BRIAN D. LOWDER, INC. does not accept referral, finder's fees or any other economic benefit when ADVISER clients are referred to other professionals.

## **Item 15: Custody**

BRIAN D. LOWDER, INC. does not accept custody or take possession of securities or cash of client investment accounts or any other assets in the firm's Investment Management or Financial Planning programs. Because the ADVISER has the authority and ability to bill or

debit the client's investment account(s) for payment of quarterly asset management fees, Rule 206(4)-2 of the Advisers Act considers the ADVISER to have constructive custody of client assets. If and when ADVISER does have client authorization to bill the client's investment account for quarterly management fees, the client always receives a copy of the invoice. However, clients are under no obligation to authorize ADVISER to bill their account for management fees and may elect to pay billings by personal check.

To avoid conflicts of interest and unauthorized possession of client assets, all accounts are registered in the name of the client and are established and maintained with independent broker-dealers such as Charles Schwab, or directly with Investment Companies (commonly referred to as mutual fund companies). Clients receive monthly or at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. BRIAN D. LOWDER, INC. urges clients to carefully review such statements and compare them to the quarterly statements provided by BRIAN D. LOWDER, INC. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **A. Brian Lowder, President, Trustee Activities**

Brian D. Lowder, President and employee of ADVISER, personally serves as trustee for one estate (of a deceased client), co-trustee for a parent, trustee of one Generation-Skipping Trusts, trustee of one Irrevocable Life Insurance Trust, trustee of Brian D. Lowder, Inc. 401(k) & Profit Sharing Plan and serves as co-trustee of one brokerage account for an existing client. Brian D. Lowder may serve as Trustee for additional clients in the future. Although BRIAN D. LOWDER, INC. as a firm does not serve as the trustee, as Mr. Lowder serves as trustee as an individual, therefore the relationship of the owner of the firm and the ADVISER should be disclosed.

### **Item 16: Investment Discretion**

BRIAN D. LOWDER, INC. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives, risk tolerance, and other parameters identified in the Investment Policy Statement (IPS) for each particular client. Within the IPS, clients may identify any reasonable restrictions or limitations on the ADVISER's authority to manage the account including a list, if any, of restricted securities. The restrictions or limitations must be clearly identified in writing before the management process begins or may be amended later by both ADVISER and client agreement. Further, ADVISER's authority to trade securities may be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

This discretionary authority described above is formally implemented through the use of a custodian's (Charles Schwab, mutual fund company, etc.) limited power of attorney form. Under this type of agreement, ADVISER has the authority to determine and execute purchases and sales of securities. Under a limited power of attorney agreement, each client may grant ADVISER the authority to perform one or more of the following powers: a) execute trades, b) disburse funds from the account per the directive(s) of the account holder (the most common directive is to send funds overnight to the client's bank account) or directly to the client and c) fee payment authorization allowing ADVISOR to bill and collect the quarterly asset management fee directly from the account. In most instances, clients choose all three authorizations under the limited power of attorney agreement.

### **Item 17: Voting Client Securities**

BRIAN D. LOWDER, INC.'s policy and practice is not to accept authority to vote proxies on behalf of its advisory clients, except for those accounts where Brian D. Lowder serves as trustee, his aunt's, father's and one additional client's account. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxies, information related to the proxy vote and all securities solicitations are delivered directly to clients from the custodian/broker-dealer (i.e. Charles Schwab). However, ADVISER may and often does discuss proxy voting material in response to client requests as an accommodation to help assist the client in determining how to vote the proxy. Proxy voting assistance is generally limited to explaining the proxy voting material and decision in greater detail as well as answering questions, but this assistance does not imply or deem the ADVISER as responsible or having proxy voting authority.

### **Item 18: Financial Information**

Registered investment advisers are required to provide clients or prospective clients with certain financial information or disclosures about the ADVISER'S financial condition. This requirement is waived if the ADVISER does not require or solicit prepayment of fees of more than \$1,200 six months or more in advance. BRIAN D. LOWDER, INC. does not charge more than \$1,200 six months in advance. Investment management clients are billed in arrears at the end of the quarter for the preceding quarter. However, six clients who began investment management services prior to 1990 pay investment management fees three months in advance. Financial planning clients may pay up to a maximum of \$500 deposit before the financial planning services begin and the balance is due and payable upon presentation and delivery of the financial plan or financial planning advice. Therefore, ADVISER is not required to provide a balance sheet for the most recent fiscal year. Brian D. Lowder, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.