

Halter Ferguson Financial, Inc.

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This brochure provides information about the qualifications and business practices of Halter Ferguson Financial, Inc. If you have any questions about the contents of this brochure, please contact us at 317-875-0202 or info@hffinancial.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.

Halter Ferguson Financial, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Halter Ferguson Financial, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

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I. Advisory Business

Halter Ferguson Financial, Inc. (“Halter Ferguson Financial”) was founded in Indianapolis, Indiana in 1986. The principals and owners are Scott K. Ferguson CFP® and Bradford S. Ferguson, CFA.

Halter Ferguson Financial is a fee only financial planning and investment advisory firm that provides these services to individuals as well as businesses. These services are tailored to the individual needs of clients. Halter Ferguson Financial renders investment advice either as part of an overall financial plan or investment consulting only. Halter Ferguson Financial also provides discretionary portfolio management services. The portfolio management clients give discretion to Halter Ferguson Financial to act in buying and selling securities, selection of the custodian, selection and retention of separate account managers, and transaction rates in managing the client’s account. After developing an investment management policy with the client, Halter Ferguson Financial receives written authority by the client to buy and sell securities on behalf of the client within the stated parameters of that policy. Clients may impose in writing restrictions on investing in certain securities, types of securities or the sale of securities presently owned by the client. Financial planning services are described in the Halter Ferguson Financial, Inc. Financial Planning Engagement Agreement. This Agreement is provided to you before your first planning meeting, and is also available on request.

On December 31, 2010 Halter Ferguson Financial had \$131,315,738 dollars under discretionary management.

II. Fees and Compensation

Halter Ferguson Financial’s fees are stated in the Investment Management Agreement. The fee for discretionary portfolio management services is one percent (1%) annually of the assets under management. This fee is assessed in arrears, accrued daily, and billed quarterly at one-quarter of one percent (0.25%) of the value of the portfolio at the end of the quarter. There is a minimum fee of \$250 dollars per quarter. The fee for non-profit organizations is three quarters of one percent (0.75%) annually of the assets under management. Fees may be negotiable depending on size, number and type of accounts, and for family members. Portfolio management fees do not include financial planning services. Financial planning fees are \$250 per hour, and billed monthly.

Clients may pay Halter Ferguson Financial fees directly. Fees may also be paid through the custodian holding the client’s funds and securities if the following five criteria are met: (1) the client provides written authorization permitting the fees to be paid directly from the client’s account held by the independent custodian, (2) Halter Ferguson Financial sends to the client a bill showing the amount of the fee, the value of the client’s assets on which the fee was based, and the specific manner in which the fee was calculated, (3) Halter Ferguson Financial hereby discloses to the client that it is the client’s responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated, (4) Halter Ferguson Financial sends a bill to the custodian indicating only the amount of the fee to be paid by the custodian, and (5) the custodian agrees to send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the

amount of advisory fees paid directly to Halter Ferguson Financial. Halter Ferguson Financial does not and will not have custody of client funds or securities.

In addition to the fee paid directly to Halter Ferguson Financial, the client will pay fees for custodial services, and for brokerage and other costs associated with client account transactions. Custodial fees vary by the size of the account and account type. Brokerage and other transactions costs also vary based on the level of account activity. Halter Ferguson Financial may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. For Halter Ferguson Financial client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Clients may also incur other fees and costs. If client assets are invested in mutual funds, the client will pay indirectly to the mutual fund company management and other fees for those funds (the mutual fund fees are described in the funds' prospectuses). If a separate account manager is retained for a client's account, the client will also be responsible for paying directly to any separate account manager (and the custodian of that account) any separate account fees required for that account. Separate account fees vary by the size of the account and type of account, and will be disclosed to the client. The services may cost the client more or less than purchasing such services separately depending upon account fees, trading costs, and/or active management fees.

Clients will incur brokerage and other transaction costs. Please see Section IX for more information about Halter Ferguson Financial's brokerage practices.

III. Performance-Based Fees and Side-By-Side Management

Not applicable.

IV. Types of Clients

Halter Ferguson Financial provides financial planning and investment advice to individuals, families, small businesses, trusts, charitable organizations and profit sharing plans. Portfolio management clients must initiate an account with a minimum deposit of \$100,000. There is no requirement to maintain a minimum account balance, but the minimum portfolio management fee is \$250 dollars per quarter.

V. Methods of Analysis, Investment Strategies and Risk of Loss

Fundamental analysis is the primary method used to select investments. Halter Ferguson Financial follows the market on a regular basis and does a significant amount of reading and research to form an overall view of the market. Research resources include in-house research and various independent analysis reports and reporting services. Analysis also includes interpretation of indicators that are related to market sentiment (bullishness, bearishness, money flows). Halter Ferguson Financial

uses these views to aid in determining an initial asset allocation. Market expectations are then merged with client objectives and risk tolerance to create a strategic asset allocation.

After developing an Investment Policy Statement with the client, the Advisor is given written authority (Investment Management Agreement) by the client to buy and sell securities on behalf of the client within the stated parameters of the Investment Policy Statement. The Investment Policy Statement can be changed to reflect changes in the client's objectives and risk tolerance. Diversification of investments based on the client's objectives will be part of the recommendations. This type of investing utilizes themes to invest for the intermediate to long term. Halter Ferguson Financial invests client dollars and overweight's areas that it believes have favorable risk-return characteristics. Halter Ferguson Financial considers all of client's investments with the goal that the investments work together to either enhance return and/or reduce risk.

Investment recommendations may include mutual funds (including commodity, arbitrage and bond-backed derivative mutual funds), stocks, bonds, notes, bills, separate account managers, REITs, options, annuities, certificates of deposit, cash or money market accounts.

Investing in securities involves risk and clients bear the risk of loss on their investments. Primary risk factors that would lead to a loss are: decline in stock prices and an increase in interest rates leading to a decline in bond prices.

As part of our investment strategy, we may recommend allocating portions of a client's assets to mutual funds, REITs, or separate accounts managed by third party investment managers. Those other independent managers will have total investment discretion over the assets allocated to them. We conduct due diligence and monitor the performance on an ongoing basis of the investment vehicles and separate accounts managed by other managers. Nonetheless, they may conduct business with different custodians, banks, brokers, dealers and counterparties than those we utilize. Moreover, we have no direct ability to ensure that those other managers act in accordance with the stated investment policies or objectives of those funds or accounts, or otherwise act in conformity with applicable contractual, legal, regulatory or other standards and restrictions.

VI. Disciplinary Information

Not applicable.

VII. Other Financial Industry Activities and Affiliations

Cris S. Halter is a CPA who provides tax preparation services for a limited number of existing clients for a fee that is separate and distinct from its planning and advisory fees.

VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Halter Ferguson Financial Code of Ethics is based on the principle that Halter Ferguson Financial owes a fiduciary duty to its clients. As a fiduciary Halter Ferguson Financial will serve its

clients' best interests, and place those interests ahead of those of Halter Ferguson Financial. Halter Ferguson Financials Code of Ethics is available to any client or prospective client upon request.

Under the Code of Ethics, employees are permitted to invest in securities and other investment products for their own accounts, but may not use their knowledge of clients' portfolio transactions to benefit themselves.

We do not impose a set limit on the amount of trading employees may conduct for their own accounts, but we require employees to refrain from excessive trading.

Our Code of Ethics requires employees to disclose all personal investments upon hire and at least annually thereafter, report all personal securities transactions at least quarterly, disclose all personal investment accounts, and maintain their personal investment accounts with designated broker-dealer firms. Exceptions may be made for accounts for which the employee does not maintain investment control or participate in the investment decisions. Employees generally must arrange for their brokers to send us duplicate trade confirmations and account statements for their transactions, and must separately report on a quarterly basis any transaction for which a duplicate confirmation was not sent, or which does not appear on an account statement.

Employees' personal securities transactions generally must be approved in advance, subject to certain limited exceptions. Employees are prohibited from acquiring any securities in an initial public offering, while securities may be acquired in a secondary public offering with prior approval. Employees must obtain prior approval before acquiring any security in a private placement or investing in a private investment fund.

Our Code of Ethics requires employees to obtain prior approval to engage in certain outside business activities (such as serving as a director of a company). The Code of Ethics also prohibits employees from accepting gifts of material value from vendors, service providers, and counterparties.

Halter Ferguson Financial related persons do not buy or sell securities from clients.

Halter Ferguson Financial related persons can purchase or sell for their own account similar or different open-end funds as those purchased for, or recommended to, clients. Because these funds generally are broadly diversified and transact purchases and redemptions at net asset values determined after orders are received, Halter Ferguson Financial does not believe that a transaction by related persons presents any material conflict with client account.

IX. Brokerage Practices

The Custodian and Brokers We Use

Halter Ferguson Financial does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at the "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and

are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to.

While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”)

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. For some accounts, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab’s commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that

our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates or asset-based fees you pay are lower than they would be otherwise.

In addition to transaction-related fees or asset-based fees, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the transaction-related fees or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (*see “How We Select Brokers/Custodians”*).

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

Services That Benefit You

Schwab’s Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. 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 of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading transaction-related fees or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interest of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (*see "How We Select Brokers/Custodians"*) and not Schwab's services that benefit only us. We have \$131,315,738 in client assets under management, and we do not believe that recommending our clients to collectively maintain

at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

X. Review of Accounts

Financial Planning - Reviews are provided upon request of the financial planning client; and are performed by, Cris S. Halter, CFP®, CPA. Annual reviews are recommended, but not required, services.

Managed Accounts – All client accounts are reviewed at least quarterly, and a written report is issued to all clients about 10 days following the end of a quarter. Clients may elect in writing to receive their reports electronically. In addition to quarterly review, client accounts are reviewed and adjusted by the investment advisors as economic, market conditions and fund portfolio managers change. Client meetings and phone consultations to review the client's account activity are included in the service for investment management clients. At least an annual review meeting or phone conference is recommended but not required. Principals, Scott K. Ferguson, CFP® and Bradford S. Ferguson, CFA are accountable for providing these services

XI. Client Referrals and Other Compensation

Halter Ferguson Financial does not directly or indirectly compensate any person for client referrals. Halter Ferguson Financial is a fee only firm, and is not compensated by any person or firm who provides advisory services to our clients

XII. Custody

Halter Ferguson Financial does not have custody of client funds or securities. If there is any activity in a client account, clients receive monthly statements from the account custodian. If there is no activity in a client account, clients receive quarterly statements from the account custodian. Clients should carefully review those statements. Halter Ferguson Financial sends quarterly statements about 10 days following the end of a quarter. In addition to showing client holdings and value of the client account at the end of the quarter, the report contains the billing for the management fee. Clients should compare the account statements they receive from Halter Ferguson Financial with those they receive from the custodian. The account custodian does not calculate nor verify the accuracy of the advisory fee calculation.

XIII. Investment Discretion

Clients who engage Halter Ferguson Financial for portfolio management services enter into an Investment Management Agreement with Halter Ferguson Financial. This agreement gives Halter Ferguson Financial discretion over their accounts. Discretion means Halter Ferguson Financial can buy and sell securities, and terminate separate accounts, without consulting with the client. Clients may impose in writing restrictions on investing in certain securities, types of securities or the sale of securities

presently owned by the client. This should be done in writing at the time the client signs the Investment Policy Statement. The Investment Management Agreement can be cancelled by the client or by Halter Ferguson Financial by giving 30 days written notice.

XIV. Voting Client Securities

As provided in Schwab's account application the client does not appoint the investment advisor voting authority. The advisor does not vote proxies for the client. The client is responsible for all issuer and issuer-related communications (proxies, tender offers, proposed mergers, rights offerings, exchange offers and warrants, among other things) that may require a voting decision or other action regarding investments held in your account. The custodian will send all issuer and issuer-related communications directly to the client. The client will be responsible for providing the custodian any applicable instructions or directions on those items. If requested by the client, the advisor will provide advice on those actions that directly affect the client's holdings, but will not provide advice on proxy voting.

XV. Financial Information

Not applicable.

Brochure Supplement

Halter Ferguson Financial, Inc.

7702 Woodland Drive Indianapolis, Indiana 46278

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March 14, 2011

This section provides information about Cris S. Halter, Scott K. Ferguson, and Bradford S. Ferguson that supplement the Halter Ferguson Financial brochure. Please contact Scott K. Ferguson, CFP®, and President if you have questions about the contents of this supplement.

I. Education and Background of Associates.

EDUCATION OF CURRENT ASSOCIATES:

- **Cris S. Halter, CFP®, CPA** - Indiana State University, Terre Haute, IN 1976, B.S. Accounting. Certified Public Accountant, 1979. College for Financial Planning, Denver, CO, earned Certified Financial Planner designation, 1993.
- **Scott K. Ferguson, CFP®** - College of William & Mary, Williamsburg, VA, 1965, B.A. College for Financial Planning, Denver, CO, earned Certified Financial Planner designation, 1993.
- **Bradford S. Ferguson, CFA** – Northwestern University, Evanston, IL, 1999, B.A. Statistics & Economics. CFA Institute, Charlottesville, NC, obtained Chartered Financial Analyst Charter 2006.

BUSINESS BACKGROUNDS OF ASSOCIATES:

- **Cris S. Halter** - Halter Ferguson Financial, July 2000 to Present; Worley Halter Ferguson, Inc., January 1997 to June 2000; Worley Halter Advisory, Inc., September 1991 to December 1996; DeMotte Halter & Martz, P.C., January 1985 to August 1991.
- **Scott K. Ferguson** - Halter Ferguson Financial, July 2000 to Present; Worley Halter Ferguson, Inc., January 1997 to June 2000; Worley Halter Advisory, Inc., December 1994 to December 1996; Rudd Equipment, Vice President of Finance & Administration, February 1980 to December 1994.
- **Bradford S. Ferguson** – Halter Ferguson Financial, April 2005 to Present; Third Millenium Trading, April 1999 – May 2004.

II. Disciplinary Information

Not applicable

III. Other Business Activities

Cris S. Halter is a CPA who provides tax preparation services for a limited number of existing clients for a fee that is separate and distinct from its planning and advisory fees.

IV. Additional Compensation

Not applicable

V. Supervision

Only the firm professionals Cris S. Halter, CFP®, CPA, Scott K. Ferguson, CFP®, and Bradford S. Ferguson, CFA provide advice to clients. Scott K. Ferguson CFP®, President is responsible for all supervision. His phone number is 317-875-0202.