



## **ADV Part 2 Brochure**

**February 28, 2017**

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This brochure provides information about the qualifications and business practices of Ludwick & Shirman, LLC. If you have any questions about the contents of this brochure, please contact us at 303-444-1161, or by email at [info@ludwickandshirman.com](mailto:info@ludwickandshirman.com). The information in this brochure has not been approved or verified by the SEC, or by any state securities authority. Ludwick & Shirman is a Registered Investment Advisor (RIA) with the U.S. Securities and Exchange Commission (SEC). Ludwick & Shirman's IARD firm number is 115069. SEC registration does not imply any level of skill or training.

**Additional information about Ludwick & Shirman, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2 – Material Changes**

**A. Material Changes**

Summary of Material Changes

There have been no material changes to our business since our last filing on March 3, 2016.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact Roy Ludwick at (303) 440-9377 or [roy@ludwickshirman.com](mailto:roy@ludwickshirman.com).

We encourage you to read this document in its entirety.

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**Item 4 – Advisory Business**

This Disclosure document is being offered to you by Ludwick & Shirman, LLC (“Ludwick & Shirman”) in connection with the investment advisory services we provide. It discloses information about the services we provide and the manner in which those services are made available to you, the client.

We are an investment management firm located in Boulder Colorado. Principal owners of Ludwick & Shirman are Roy Ludwick and Gary Shirman. We have been in business together since 1997 and have been a Registered Investment Advisory (RIA) firm since 2001. Ludwick & Shirman’s main business is to provide investment management and financial planning services to our clients. In addition, we furnish investment advice through consultations on other assets not managed by Ludwick & Shirman.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance to achieve their stated financial goals. We may offer an initial complimentary meeting upon our discretion. However, investment advisory services are initiated only after a Financial Planning Agreement or Investment Management Agreement has been signed.

**Investment Management and Supervision Services**

We offer discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. These services include investment analysis, investment selection, allocation of investments, quarterly portfolio statements and ongoing monitoring services for your accounts.

We determine your portfolio composition jointly with you. This is based on your needs, portfolio restrictions, if any, financial goals and risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any restrictions on investing.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or consult the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional.

Once we have determined the types of investments to be included in your portfolio, and allocated them, we will provide ongoing portfolio review and management services. We will rebalance and/or make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We will trade these portfolios and rebalance them on a discretionary basis.

We invest mainly in mutual funds. On occasion, we invest in stocks, exchange traded funds, bonds, certificates of deposit, and other investment vehicles. We do not invest in private placements or other investments that do not have government oversight.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do not and will not have custody of your funds or securities. We do have limited authority to direct the custodian to deduct investment advisory fees, but only with the appropriate authorization from you.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that may adversely affect an account's performance. This could result in capital losses in your account.

### **Financial Planning Services**

Financial advisory services provided by us may include the analysis of your situation and assistance in identifying and implementing appropriate financial planning and investment management techniques to help you meet your specific financial objectives. Such services may include a written financial analysis and specific or general investment and/or planning recommendations.

In preparing your financial plan, we may address any or all of the six areas of financial planning established by the National Endowment for Financial Education and endorsed by the Certified Financial Planner Board of Standards, depending on your specific needs. These include: financial position, protection planning, investment planning, income tax planning, retirement planning, and estate planning.

Our specific services in preparing your plan may include:

- Determination of appropriate income planning strategies for both pre- and post-retirement timeframes.
- Review of existing and proposed investment asset mixes to help you meet your overall financial objectives. This would include a review of risk/return issues and a suggested plan of action consistent with your risk tolerance and overall financial objectives.
- Calculation of your pre-retirement savings and investing needs.
- Assessment of your overall financial position including net worth, cash flow, and debt.
- Analysis of IRA-related issues including rollover, distribution, and inheritance planning options.
- Estimates of your federal estate taxes and a suggested plan of action to help meet estate planning objectives.
- Review and determination of your life and disability insurance needs.
- Suggestions for minimizing your federal and state income tax obligations.
- Development of investment strategies consistent with your business ownership succession and transition planning, if applicable.

Our financial planning services provide you with a personalized financial model to help you make financial decisions. We have designed a unique financial planning software program to create personalized retirement plans. This service helps you make important financial decisions throughout your lifetime.

**Wrap Fee Programs**

We do not place client assets into a wrap fee program.

**Assets**

As of February 28, 2017, we managed \$114,044,000 of client assets on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5 – Fees and Compensation****Investment Management Fees and Compensation**

Ludwick & Shirman charges a fee as compensation for providing investment management services on your accounts. These services include advisory and consulting services, trade entry, investment supervision, and other account maintenance activities. We do not charge fees for completing transactions within your account. However, the custodian may charge transaction fees, redemption fees, and administrative fees or commissions. See Additional Fees and Expenses below.

Our fee is charged quarterly and is calculated on the market value of the accounts on the last day of the previous calendar quarter and will cover the period from the first day of the calendar quarter through the last day of the calendar quarter. The market value will be determined as reported by the custodian. Fees are assessed on all assets under management, including securities, cash and money market balances. We may exclude some assets from billing that are agreed upon by Ludwick & Shirman and the client. The management fee is based on the size of the account at inception and is reviewed quarterly and reset if the accounts qualify for a lower or higher fee.

The fees for accounts are based on an annual percentage of assets under management. The fees are applied to the account asset value on a pro-rated basis, billed quarterly in advance. The initial fee will be based upon the date the account is accepted for management by execution of the investment advisory contract by Ludwick & Shirman and the assets are transferred, through the last day of the current calendar quarter.

Our investment advisory fees shall not exceed 1.35%. The specific advisory fees are set forth in your Investment Management Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fees may be negotiated.

At our discretion, we may aggregate asset amounts in accounts from your same household together to determine the advisory fee for all your accounts. We may do this, for example, where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow

you the benefit of an increased asset total, which could potentially cause your accounts to be assessed a reduced advisory fee based on the asset levels available in our fee schedule.

There may be transaction costs assessed for some security trades, although we try to avoid transaction fee trades. In addition, mutual funds charge an internal management fee. Mutual funds and our custodian may assess a short term redemption fee for funds held less than 90 days. Non-standard assets, such as limited partnerships, may incur additional transaction and annual custody fees. We do not accept compensation for the sale of securities or other investment products.

In addition, some mutual fund assets transferred into the account may have been subject to deferred sales charges and 12(b)(1) fees and other mutual fund annual expenses as described in the fund's prospectus. Furthermore, some existing variable annuities may be subject to trailing service fees, deferred sales charges, and mortality and expense fees. These fees are independent of our fees and should be disclosed by the custodian or contained in each fund's prospectus. You should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

You authorize us to debit your account quarterly for our fee. The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us.

You will provide written authorization permitting the fees to be paid directly from your accounts held by the qualified custodian. Further, the custodian agrees to deliver account statements at least quarterly directly to you indicating all the amounts deducted from the account including our advisory fees. You are encouraged to review your account statements for accuracy. We will receive a duplicate copy of the custodian's statement that was delivered to you.

Either Ludwick and Shirman or you may terminate the management agreement, upon 30 day written notice to the other party. The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given, and any unearned fees will be refunded to you. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

### **Financial Planning Fees**

Your fee for the designated financial advisory services will be determined in one of the following ways:

**Fixed Fee:** Under a fixed fee arrangement, any fee will be agreed upon by you and Ludwick & Shirman in advance of services being performed and signing the Financial Planning Agreement. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through Ludwick & Shirman. When Ludwick and Shirman is chosen to implement your plan, we may at our discretion waive or reduce a portion of our financial planning fees. Half of the fee is

payable upon signing the agreement, and the balance is payable after presentation of the plan. Fixed fees range between \$800 and \$2,000. You may cancel the agreement prior to delivery and receive a full refund. If you decide to terminate your agreement before the agreed-upon service is provided, a full refund will also be provided.

**Hourly Rate:** Under an hourly rate agreement, we will provide consulting, analysis, and any deliverables agreed upon and our fees will be based on the amount of time we spend providing such services and deliverables. This includes time spent meeting with you, time we spend researching and analyzing the agreed upon issues, as well as time we spend documenting or communicating with you about those issues. Our hourly rate is \$200/hr. You may cancel the agreement at any time and receive a full refund less the hourly charges already incurred.

In no case are our financial planning fees based on, or related to, the performance of your funds or investments.

We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

When investment management or plan implementation and financial planning services are offered, there is a potential conflict of interest since there is an incentive for the party offering financial planning services to recommend products or services for which Ludwick & Shirman, or a related party, may receive compensation. However, as a financial planning client, you are under no obligation to act upon any of our recommendations or effect the transaction(s) through us if you decide to follow the recommendations.

#### **Additional Fees and Expenses:**

Advisory fees payable to us do not include all the potential fees you may pay when we purchase or sell securities for your accounts. The following list of fees or expenses are what you may pay directly to third parties, whether a security is being purchased, sold or held in your accounts under our management.

- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC fees
- Fees charged by mutual funds and exchange traded funds (expense ratio, management fees, 12(b)(1) fees)
- Advisory fees charged by sub-advisers (if any are used for your account)
- Custodial fees
- Deferred sales charges on mutual funds or annuities
- Odd-Lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commissions or mark-ups / mark-downs on security transactions



Please refer to the “Brokerage Practices” below for discussion of Ludwick & Shirman’s brokerage practices.

### **Item 6 – Performance Based Fees**

Ludwick & Shirman does not assess performance based fees.

### **Item 7 – Types of Clients**

Ludwick & Shirman generally provide investment advice to individuals, families, trusts, pension and profit sharing plans, estates, charitable organizations, and corporations. A new client must have a minimum of assets under management of \$500,000, but Ludwick & Shirman may accept new clients with assets to manage under this minimum at their discretion.

Clients assets are held at TD Ameritrade Institutional. They have trading minimums that require us to treat accounts valued at less than \$25,000 differently than larger account sizes. These smaller accounts will be allocated to our model portfolio percentages in stock and bond funds and may contain different mutual funds than larger accounts, due to certain fund’s minimum initial purchase constraints.

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

We invest our client accounts in one of our four basic portfolio models: Aggressive, Growth, Growth & Income, and Conservative. Clients may have different models for different accounts. With some exceptions, our client assets are invested into one of these portfolio models. All of our portfolios consist of a diversified mix of stock and bond funds. The stock portion may include asset classes such as: large and small capitalization companies, value and growth oriented companies, developed and emerging market companies, and other market sectors. In addition, the bond portion of our portfolios may contain a variety of bonds such as: U.S. government, municipals, corporate, foreign corporate, emerging markets, sovereign, and high yield bonds. We design diversified portfolios to minimize downside losses. Our model portfolios may vary in stock and bond mix, depending on market conditions. The Aggressive Portfolio will contain the highest amount of stocks and the Conservative Portfolio will contain the least amount of stocks.

Our determination of allocation is primarily tactical in nature. On occasion, we will employ charting techniques. We rely on many sources of information, including financial newsletters and magazines, subscription services, research material prepared by others, annual reports and prospectuses, and company releases. Our allocation analysis could be described as top-down. This analysis begins with looking at economic indicators, both national and international, such as; GDP growth rates, inflation, interest rates, exchange rates, productivity, and energy prices. We then narrow our focus to market sectors or industries that we believe will perform well in the given economic environment. We then employ proprietary metrics to select mutual funds that

we determine should outperform their benchmarks. This process includes examining the funds price to earnings ratios, price to book, turnover rates, management tenure, bond duration, and other metrics.

We purchase securities with the intent to hold them for the long term. Occasionally, we purchase securities for a shorter time period, depending on market conditions. We exercise the right to buy and sell options, perform margin transactions, and do frequent trading; however, we have rarely performed any of these transactions since we have been in business.

We assess our clients' risk-return level to determine which portfolio model best fits their objectives. We do not build tailored models for individual clients. However, if they have an existing position that they transfer in or if the client requests to buy a specific security, we will hold that in addition to our model portfolio holdings. These exceptions are documented in our Investment Policy Statement. Special situations may require that the client hold additional cash in their account. A description of our four portfolio models are as follows:

**Aggressive** – Typically 80% stock funds, with a range of 45% to 90% invested in stocks depending on market conditions. Emphasis is on maximum growth and capital appreciation. There is no focus on generating current income. This objective has the highest risk level and is for investors with a long time horizon. A higher portion of the portfolio may be invested more aggressively, in any or all (but not limited to) of the following strategies: leveraged funds, sector funds, hedging, developing markets and alternative investment funds.

**Growth** – Typically 65% stock funds, with a range of 35% to 80% invested in stocks depending on market conditions. Emphasis is on achieving long-term growth and capital appreciation. There is little focus on generating current income. A portion of the portfolio may be invested more aggressively, in any or all (but not limited to) of the following strategies: leveraged funds, sector funds, hedging, developing markets, and alternative investment funds.

**Growth & Income** – Typically 50% stock funds, with a range of 25% to 65% invested in stocks depending on market conditions. Emphasis is on modest capital growth with some focus on generating current income. This account could include foreign equities & bonds, and high yield bonds. More emphasis is placed on conservation of principal. A small portion of the portfolio could include sector funds, developing markets, and alternative investment funds.

**Conservative** – Typically 20% stock funds, with a range from 0% to 35% invested in stocks depending on market conditions. Emphasis is on capital preservation with some focus on generating current income and growth. A portion of this account could include foreign equities and bonds, and alternative investment funds, such as commodities & precious metals.

Each account within a portfolio model should have a very similar asset allocation. Exceptions are that deposits and withdrawals may result in accounts with differing cash balances. The stock to bond balance will generally be at the typical allocation in the smaller accounts.

**Risks**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through Ludwick & Shirman.

You should be aware that your account is subject to the following risks:

- **Stock Market Risk** – The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- **Managed Portfolio Risk** – The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- **Industry Risk** – The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- **Non-U.S. Securities Risk** – Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- **Emerging Markets Risk** – To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Currency Risk** – The value of your portfolio's investments may fall as a result of changes in exchange rates.
- **Interest Rate Risk** - The value of fixed income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed income securities could go down.
- **Credit Risk** - Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may

purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.

- Inflation Risk - Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.
- ETF and Mutual Fund Risk – When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund’s operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.
- Management Risk – Your investment with us varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may decrease.
- Options Risk - Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

### **Item 9 – Disciplinary Information**

There have never been any legal or disciplinary actions against Ludwick & Shirman or any of its employees.

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

Roy Ludwick and Gary Shirman are currently licensed with John Hancock Insurance Company, Genworth Insurance Company, and Banner Insurance Company to sell various life insurance products, long term care insurance and annuities. As a result, Ludwick and Shirman or certain associated persons may receive compensation for these activities as insurance agents. A limited portion of the time we spend (generally less than 2%) is in connection with these activities and it represents less than 2% of our ongoing revenue.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Ludwick & Shirman has a fiduciary duty to act in your best interest at all times. All employees must maintain the highest standards of professional conduct in their daily business representing Ludwick & Shirman to the general public. Employees shall comply with the laws and regulations of the United States and the state and local governments’ jurisdiction over Ludwick & Shirman’s business activities. This includes all laws preventing the use of non-public information by any associated person. Employees shall keep in complete confidence knowledge concerning the private affairs of Ludwick & Shirman’s clients and information contained in our client records, unless compelled to disclose such information applicable by law.

Ludwick & Shirman and persons associated with us are allowed to invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or

acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any potential conflicts of interest. If we become aware of any other conflict of interest, we will let you know.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients by deterring misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Ludwick & Shirman, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

- A director, officer or employee of Ludwick & Shirman shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of Ludwick & Shirman shall prefer his or her own interest to that of the advisory client.
- We maintain a list of all securities holdings for Ludwick & Shirman, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Ludwick & Shirman.
- We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's accounts.
- We emphasize the unrestricted right of the client to select and choose any broker-dealer (except in situations where we are granted discretionary authority) he or she wishes.
- We require that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; attn: Chief Compliance Officer.

### **Item 12 – Brokerage Practices**

We participate in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution,

clearance and settlement of transactions. We receive some benefits from TD Ameritrade for participation in the program, these benefits are typically not available to retail investors. There is no direct link between our participation in the program and the investment advice we give to our clients. These benefits include the following products and services at no extra cost or at a discounted cost: receipt of duplicate statements and confirmations, research related products and tools, access to a trading desk for advisors, access to block trading, the ability to deduct fees directly from client accounts, access to electronic communications network for client order entry and account information, access to mutual funds with no transaction fees and to certain institutional money managers, and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. These benefits do not depend on the amount of brokerage transactions directed to TD Ameritrade.

In the event you request us to recommend a broker-dealer custodian for execution and/or custodial services, we generally recommend your account be maintained at TD Ameritrade. We may recommend that you establish accounts with TD Ameritrade to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker-dealer we recommend. Our recommendation is generally based on the broker-dealer's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other broker-dealers and the value of products, research and services given to us is not a factor in determining the selection of broker-dealer or the reasonableness of their commissions.

We do not select or recommend broker-dealer based upon receiving client referrals from a broker-dealer or third party. We do not routinely recommend, request or require that you direct us to execute transactions through a specified broker-dealer.

We place trades for your account subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than TD Ameritrade to execute trades for your accounts, but this practice may result in additional costs to you so that we are more likely to place trades through TD Ameritrade rather than other broker-dealers. Your custodian's execution quality may be different than other broker-dealers.

As a matter of policy and practice, we do not utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from



the trade error if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. We may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons). We will never benefit or profit from trade errors.

### **Item 13 – Review of Accounts**

Ludwick & Shirman reviews all of our portfolio models at least on a monthly basis. With few exceptions, client accounts are invested in one of our four portfolio models. Adjustments may be made depending on the performance of a holding or market conditions. We may rebalance a client's account based on recent cash additions or withdrawals.

Financial plans are reviewed upon request of the client. Financial planning clients will receive no regular reports from Ludwick & Shirman.

We mail quarterly reports to our investment clients. These reports contain account and security performance results and a statement of the fees assessed. These reports are prepared by Asset Book, LLC, which is a third party performance reporting service. In addition, the mailing contains a newsletter authored by Ludwick & Shirman. The client also receives statements from their custodian, generally TD Ameritrade Institutional, on a monthly basis. They may also receive information from mutual fund companies and other securities they own.

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

Ludwick & Shirman does not receive any compensation, directly or indirectly, for client referrals. In addition, we do not compensate anyone for client referrals.

We may recommend TD Ameritrade Institutional to clients for custody and brokerage services. We receive economic benefit through participation in the TD Ameritrade Institutional program. These benefits include discounts on compliance, marketing, technology, and practice management products or services provided by third party vendors.

We may participate in the TD Ameritrade Institutional Equity Management Program established by TD Ameritrade. We may receive succession planning, practice valuation and equity management services from third-party vendors through participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, we may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is an independent discount broker-dealer separate and unaffiliated with our firm. TD Ameritrade has established the TD Ameritrade Institutional Equity Management program as a means of assisting independent unaffiliated advisors to grow and maintain their respective investment advisory

business. TD Ameritrade does not supervise us and has no responsibility for our management of our client portfolios or other advice or services we provide to clients.

Conflicts of interest may arise from our participation in this program, in that we may encourage our clients to custody their assets at TD Ameritrade, whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, we may have an incentive to recommend to clients that the assets under management by advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Participation in this program does not relieve us of our best execution duty. We are independent of TD Ameritrade and have neither an agency nor employment relationship. Clients should be aware that the receipt of economic benefits by us in and of its self creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

We do occasionally receive compensation for the sale of insurance products, such as long term care insurance and life insurance, spending on average, less than 1 hour per month in this capacity.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Ludwick & Shirman is deemed to have custody of client funds and securities whenever Ludwick & Shirman is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Ludwick & Shirman will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Ludwick & Shirman is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Ludwick & Shirman. When clients have questions about their account statements, they should contact Ludwick & Shirman or the qualified custodian preparing the statement.

When fees are deducted from an account, Ludwick & Shirman is responsible for calculating the fee and delivering instructions to the custodian. At the same time Ludwick & Shirman instructs the custodian to deduct fees from the client's account; Ludwick & Shirman will send the client



an invoice itemizing the fee. Itemization shall include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

### **Item 16 – Investment Discretion**

Prior to engaging Ludwick & Shirman to provide investment advisory services, clients enter into a written agreement with Ludwick & Shirman granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. Clients will also execute any and all documents required by the custodian so as to authorize and enable Ludwick & Shirman, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your account. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any investment company registered under the Investment Company Act of 1940 and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such authority will be communicated by you to us in writing.

The limitations on investment and brokerage discretion held by Ludwick & Shirman for you are:

- For discretionary clients, we require that Ludwick & Shirman be provided with authority to determine which securities and the amounts of securities to be bought or sold, as well as the broker-dealer to be used and the commission rates to be paid to the broker-dealer.
- Any limitations on this discretionary authority shall be included in writing in our Investment Policy Statement. You may change/amend these limitations at any time. Such amendments shall be submitted in writing.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution.

Research products and services received by us from broker-dealers will be used to provide services to all our clients.

### **Item 17 – Voting Client Securities**

Ludwick & Shirman accepts authority to vote for clients regarding their securities. In order for us to vote for the client, they authorize us by signing a TD Ameritrade Institutional authorization form. Clients can request our voting record and they can rescind this authorization at any time. We give clients our proxy voting guidelines when they become clients. They can request a copy of our policies and procedures at any time.

In general, Ludwick & Shirman votes with the recommendations of the board on issues such as governance structure, adoptions and amendments to compensation plans and audits. However, with matters involving social issues or corporate responsibility, we may vote differently than the board based on what we see as in the best interest of our clients.

Upon receipt of a request for more information, we will provide you with a copy of the proxy policy and/or how we voted proxies for you pursuant to this policy. It is our policy not to disclose how we voted your proxy to third parties.

**Item 18 – Financial Information**

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about Ludwick & Shirman's financial condition:

1. Ludwick & Shirman, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not at any time been the subject of a bankruptcy proceeding.
2. We do not require or solicit prepayment of client fees of more than \$1,200 per client and six months or more in advance.

**Item 1 Cover Page**

## ADV Part 2B: Brochure Supplement

Roy Carl Ludwick  
CRD# 1325901

Ludwick & Shirman, LLC  
3050 Broadway Suite 202  
Boulder, Colorado 80304  
303-440-9377

February 26, 2016

This brochure supplement provides information about Roy Carl Ludwick that supplements the Ludwick & Shirman, LLC brochure. You should have received a copy of that brochure. Please contact Roy Ludwick or Gary Shirman if you have not received Ludwick & Shirman's brochure or if you have any questions about the contents of this supplement.

Additional information about Roy Carl Ludwick is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ADV Part 2B: Brochure Supplement

### Item 2 - Educational Background and Business Experience

Roy Carl Ludwick was born in 1947 and has worked in the financial services industry since 1984. He received his BA in Business from the University of Washington, and MBA from Golden Gate University. He received his Chartered Financial Consultant (ChFC) designation in 1989 and Chartered Life Underwriter (CLU) designation in 1998. He is the President and Chief Compliance Officer of Ludwick & Shirman, LLC. Roy Ludwick is a member of the Financial Planning Association. He is also on the Board of Directors of Composite Technology Development Inc., and Nishati Inc., both are technology companies, and he spends about three hours per month in this capacity.

A Chartered Financial Consultant designation requires completion of an eight-course curriculum focused on the comprehensive financial planning process. It also requires the passing of a series of written examinations and three years of qualifying professional experience. This designation is issued by the American College in Bryn Mawr, Pennsylvania.

A Chartered Life Underwriter designation requires completion of an eight-course curriculum focused on an in-depth knowledge of the insurance needs of individuals, business owners and professional clients. This designation is issued by the American College in Bryn Mawr, Pennsylvania.

### Item 3 - Disciplinary Information

There are no material legal or disciplinary events to disclose.

### Item 4 - Other Business Activities

Roy Ludwick holds an insurance license to sell limited insurance products. It is anticipated that a small portion (less than 2 %) of his time will be spent providing these insurance products. Roy Ludwick may receive compensation from selling insurance products and therefore receive economic benefit for this activity. This activity may create a conflict of interest with clients. However, since this activity represents less than 10 % of Roy Ludwick's time and income, it is presumed not to be substantial.

### Item 5 - Additional Compensation

There are no other material compensations to disclose.

**Item 6 - Supervision**

Roy Ludwick is supervised through a compliance program designed to prevent and detect violations of federal and state securities laws. Compliance supervision includes review of portfolios, review of investment policy statements, review of advisory agreements, review of emails, personal transactions and portfolio trading. Supervision is conducted by Gary Shirman, 303-444-1161.

**Item 1 Cover Page**

## ADV Part 2B: Brochure Supplement

Gary Ross Shirman  
CRD# 1574194

Ludwick & Shirman, LLC  
3050 Broadway Suite 202  
Boulder, Colorado 80304  
303-440-9377

February 26, 2016

This brochure supplement provides information about Gary Ross Shirman that supplements the Ludwick & Shirman, LLC brochure. You should have received a copy of that brochure. Please contact Roy Ludwick or Gary Shirman if you have not received Ludwick & Shirman's brochure or if you have any questions about the contents of this supplement.

Additional information about Gary Ross Shirman is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ADV Part 2B: Brochure Supplement

### Item 2 - Educational Background and Business Experience

Gary Ross Shirman was born in 1958 and has worked in the financial services industry since 1986. He received his BA in Sociology from the University of Colorado. He received his Chartered Life Underwriter (CLU) designation in 1993, and Chartered Financial Consultant (ChFC) designation in 1994. He is the Vice-President of Ludwick & Shirman, LLC.

A Chartered Financial Consultant designation requires completion of an eight-course curriculum focused on the comprehensive financial planning process. It also requires the passing of a series of written examinations and three years of qualifying professional experience. This designation is issued by the American College in Bryn Mawr, Pennsylvania.

A Chartered Life Underwriter designation requires completion of an eight-course curriculum focused on an in-depth knowledge of the insurance needs of individuals, business owners and professional clients. This designation is issued by the American College in Bryn Mawr, Pennsylvania.

### Item 3 - Disciplinary Information

There are no material legal or disciplinary events to disclose.

### Item 4 - Other Business Activities

Gary Shirman holds an insurance license to sell limited insurance products. It is anticipated that a small portion (less than 2 %) of his time will be spent providing these insurance products. Gary Shirman may receive compensation from selling insurance products and therefore receive economic benefit for this activity. This activity may create a conflict of interest with clients. However, since this activity represents less than 10 % of Gary Shirman's time and income, it is presumed not to be substantial.

### Item 5 - Additional Compensation

There are no other material compensations to disclose.

### Item 6 - Supervision

Gary Shirman is supervised through a compliance program designed to prevent and detect violations of federal and state securities laws. Compliance supervision includes review of portfolios, review of investment policy statements, review of advisory agreements, review of emails, personal transactions and portfolio trading. Supervision is conducted by the Chief Compliance Officer, Roy Ludwick, 303-440-9377.