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**This brochure provides information about the qualifications and business practices of Ferguson Shapiro LLC (“Ferguson Shapiro”). If you have any questions about the contents of this brochure, please contact us at 404-567-6771. 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.**

**Additional information about Ferguson Shapiro also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply a certain level of skill or training.**

**Item 2 - Material Changes**

Since our annual update in March 2022 the Firm has not had any material changes to report .

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

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#### **Item 4 – Advisory Business**

Ferguson Shapiro LLC (“Ferguson Shapiro”) was established in 2018 and applied for registration as an Investment Adviser in 2018. Kevin Ferguson is the principal owner of Ferguson Shapiro. Ferguson Shapiro may manage assets on a discretionary or non-discretionary basis.

In addition to the programs described in this Brochure, Ferguson Shapiro also offers a wrap fee program, which is disclosed in separate Wrap Fee Brochure. In a wrap fee program, clients are charged an all-inclusive wrap fee on Program Assets that covers advisory, execution, custodial and reporting services on Eligible Assets. A portion of these fees will be paid to Ferguson Shapiro for advisory services. In a non-wrap fee program, Ferguson Shapiro’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client.

Our approach starts with a review of our client’s financial story, which includes a review of their financial assets, liabilities and cash flows. Based on that review, we’ll work with our clients to create a blueprint for the future, considering savings goals, any required rate of return and possible future variations in cash flow. After reviewing the foundational elements, we will move to portfolio constructions, considering all existing assets considering net capitalization, credit risk, and the optimal combination of assets.

Ferguson Shapiro provides advisory services, giving continuous advice based on the client’s individual needs. Through personal discussions in which goals and objectives based upon the client’s personal objectives are established, the firm will develop a personal investment policy based upon an investment objective questionnaire and manage the portfolio according to the criteria.

Each client has the ability to impose reasonable restrictions on the management of his/her account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If a client’s instructions are unreasonable or an Investment Advisor Representative believes that the instructions are inappropriate for the client, Ferguson Shapiro will notify the client that, unless the instructions are modified, it will cancel the instructions in the client’s account. A client will not be able to provide instructions that prohibit or restrict the Investment Adviser of an open-end or closed-end mutual fund or ETF with respect to the purchase or sale of specific securities or types of securities within the fund.

#### **Enhanced Portfolio Management**

Our advisors may employ options strategies to hedge or gain additional exposure to a particular stock, asset class or sector. This investment strategy encompasses active trading in concentrated portfolios.

#### **Participant Account Management (Discretionary)**

We use a third-party platform to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Adviser will review the current account allocations. When deemed necessary, Adviser will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult

markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

#### Third Party Money Managers

Ferguson Shapiro has also entered into additional agreements with various non-affiliated investment advisors (“third-party money managers”) to offer asset allocation and asset management services to Ferguson Shapiro advisory clients. Ferguson Shapiro will assist the client in formulating a strategic investment portfolio based on the client's investment objectives. Once formulated, a suitable third-party money manager is selected to implement and continually manage the portfolio. In preparing the portfolio, Ferguson Shapiro will set restrictions or limitations on the management of the account and explain to the client the continual account activity transacted by the third-party money manager. Also, Ferguson Shapiro will periodically review the current and historical performance record of each third-party money manager.

The relationship of Ferguson Shapiro with these third-party money managers will be clearly communicated to all clients in the third-party money manager's Client Services Agreement and/or other similar documentation. Each third-party money manager is required to provide Ferguson Shapiro with a disclosure document statement, typically a copy of their Form ADV 2A. The third-party money manager's Form ADV 2A will be provided to the client by Ferguson Shapiro.

#### Financial Planning

Ferguson Shapiro offers advice in the form of a Financial Plan. Clients will receive a written financial plan, providing the client with a detailed financial plan designed to achieve their stated financial goals and objectives. In general, the plan will address any or all of the following:

- Personal: Family records, budgeting, personal liability, estate information and financial goals
- Tax and Cash Flow: Income tax spending analysis and planning for past and future years.
- Death and Disability: Cash needs at death, income needs of surviving dependents, estate planning
- Retirement: Strategies and investment plans to help client achieve their retirement goals
- Investments: Analysis of investment alternatives and their effect on a client's portfolio.

Information on clients will be gathered by in-depth personal interviews and review of personal financial information. Gathering data concerning current financial status, future requirements, risk appetite and goals is essential. Based upon this thorough review, a written plan is prepared for the client providing the client with a detailed financial plan designed to achieve their stated financial goals and objectives. It is recommended that the client review this plan with tax accountants, attorneys and other professional service providers.

Ferguson Shapiro may work with other professionals such as attorneys, Certified Public Accountants, trust officers, Mortgage Analysts etc., to offer financial and estate planning advice. Ferguson Shapiro specializes in the areas of investment, financial, estate, risk management, retirement, and business continuation planning. The financial management process begins with an in-depth evaluation of the client's current financial goals and objectives. Once we have established the overall objectives, Advisor will focus on the client's specific goals.

Clients are not under any obligation to engage Ferguson Shapiro when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client and can be implemented through another RIA.

In addition to the aforementioned services, Ferguson Shapiro offers investment data storage and periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Ferguson Shapiro (the "Excluded Assets"). Should the client utilize these reporting services, the client acknowledges and understands that with respect to the Excluded Assets, Ferguson Shapiro's service is limited to reporting and data storage services only and does not include investment management, review, or monitoring services, nor investment recommendations or advice. As such, Ferguson Shapiro will not be responsible for the investment performance of the Excluded Assets. If the client requests Ferguson Shapiro to provide investment management services with respect to the Excluded Assets, the client may engage Ferguson Shapiro to do so for a separate and additional fee.

#### **ERISA and Individual Retirement Accounts Disclosure**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

As of December 31, 2022, Ferguson Shapiro had \$ 288,778,609 in discretionary assets under management and \$ 109,731 non-discretionary assets under management.

#### **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by the Firm is established in a client's written agreement. Fees are based on a percentage of assets under management and calculated at an annual rate and billed in advance on a monthly basis. Fees are based on the assets in the account per the schedule below and in some instances, may be negotiated.

#### Portfolio Management Fee Schedule

<b>Cumulative Balance of Accounts</b>	<b>Standard Advisory Fee</b>
\$0 - \$249,999	1.17%
\$250,000 - \$499,999	1.07%
\$500,000 - \$749,999	1.00%
\$750,000 - \$999,999	0.93%
\$1,000,000 - \$1,499,999	0.82%
\$1,500,000 - \$1,999,999	0.74%
\$2,000,000 - \$2,499,999	0.64%
\$2,500,000 - \$2,999,999	0.58%
\$3,000,000 - \$3,499,999	0.55%
\$3,500,000 - \$3,999,999	0.52%
\$4,000,000 - \$4,499,999	0.46%
\$4,500,000 - \$4,999,999	0.43%
\$5,000,000 - \$6,999,999	0.39%
\$7,000,000 - \$9,999,999	0.37%
\$10,000,000+	0.36%

#### Enhanced Portfolio Management Fee Schedule

<b><u>Account Value</u></b>	<b><u>Annual Fee</u></b>
\$0 - \$500,000	1.50%
\$500,001 - \$2,500,000	1.25%
\$2,500,001 - \$4,000,000	1.00%
\$4,000,001 +	0.75%

The initial fee is due in full one business day after the client's account is accepted and opened with the minimum account balance and will be based on the asset value of the account on that date. The initial fee will be prorated according to the number of days remaining in the calendar month. Thereafter, the fee will be calculated by multiplying the fair market value of the assets in the account as of the last trading day of each calendar month by the annual fee and then multiplied by the number of days in the month divided by the number of days in the year. Upon termination of an account, any prepaid, asset-based fees will be prorated according to the days the account was opened during the calendar month and excess fees will be rebated to the client within 30 days after termination. Additions to the account may be made at any time. Flows over 10k in or out of an account will be billed/refunded for the remaining days in the period.

Fees will be debited from the account specified in the advisory agreement. The amount of the fee will be shown on the statement received by the Custodian. Ferguson Shapiro urges clients to carefully review such statements. Upon request, Ferguson Shapiro will bill a client for advisory services. If requested, billing information must be in writing in the advisory agreement. Advisory fees are due upon receipt.

#### Participant Account Management (Discretionary)

Fees for clients that wish to utilize the Participant Account Management platform will be deducted from an account held with our custodian, as specified in the advisory agreement. Any cost for the use of the platform will be paid by the Firm and the Firm will not increase their client fee to cover the cost of the platform.

#### Financial Planning

Financial planning fees will be charged on an hourly basis at \$150 per hour and the client will be provided an estimate in advance. Up to 50% of the estimated fee will be billed and due upon signing the Financial Planning agreement, with the balance (based on actual hours) due upon presentation of the plan to the client. Typically, the financial plan will be presented to the client within 90 days of the contract date, provided that all of the relevant information needed to prepare the financial plan has been promptly provided by the client. The client may terminate its arrangement at any time, in writing, and will be refunded a portion of the fee based upon a pro-rated calculation related to the time and expense expended by the firm.

#### Other Charges

The advisory fees and transaction charges do not cover charges imposed by third parties for investments held in the account, such as contingent deferred sales charges or 12(b)-1 trails on mutual funds. In addition, each mutual fund or third-party investment manager charges asset management fees, which are in addition to the advisory fees charged by our firm. The fees charged by such funds or managers are disclosed in each fund's prospectus or Manager's ADV Part 2A. Accounts may require a minimum advisory fee or quarterly maintenance fee that will be detailed in the applicable advisory agreement. The Management Fee also does not cover fees and charges in connection with: debit balances; margin interest; early redemption fees; odd-lot differentials; IRA fees; transfer taxes; exchange fees; wire transfers; extensions; non-sufficient funds; mailgrams; legal transfers; bank wires; postage; costs associated with exchanging foreign currencies; and other fees or taxes required by law.

Some mutual funds within this program pay 12(b)-1 service fees (normally 0.25% per year) to the Custodian. The mutual funds the Firm could purchase or recommend offer a variety of share classes, including some that do not charge 12(b)-1 fees and are, therefore, less expensive. These fee arrangements will be disclosed upon request of a client and are available in the applicable fund's prospectus. There are instances in which Ferguson Shapiro would recommend a mutual fund that carries a 12(b)-1 fee, even when a lower-cost share class is available for the same fund. For example, a lower-cost class share may not be available to Ferguson Shapiro due to investment minimums. In other cases, mutual funds charging 12(b)-1 fees are transferred into Ferguson Shapiro. In which case the Firm may recommend the client holds the existing share class, instead of selling the fund and buying a lower-cost share, which could result in a tax liability. In addition, some mutual funds charge 12(b)-1 fees, but no transaction fees, while other share classes in the same fund family do not charge 12(b)-1 fees, but do charge transaction fees. Mutual funds charging 12(b)-1 fees will be recommended when the overall cost is seen as a benefit to the client if the anticipated transaction fees exceed the anticipated 12(b)-1 fees. When recommending a particular mutual fund share classes, the different available share classes are compared and reviewed along with the anticipated investment timeframe, potential tax consequences, future anticipated transactions and other costs to determine the best selection for the client at that time. Ferguson Shapiro does not receive any part of the fees charged by Mutual Funds.



The firm, as a general protocol, never recommends using margin to purchase additional securities outside of the Enhanced Portfolio Management strategy. If a client chooses to open a margin account the advisory fee is based on total assets in the account as shown on the client's custodial statement, including any assets purchased on margin. This billing practice presents conflicts of interest and creates an incentive for Ferguson Shapiro to utilize higher levels of margin as of the date a client's advisory fee is calculated, thereby increasing the amount of advisory fees received by Ferguson Shapiro.

Although Ferguson Shapiro believes its fees are reasonable in light of the services provided, clients should be aware that transaction fees may be higher than those otherwise available if advisory services and brokerage services were provided separately for a discrete fee or if an investment Advisor were to select brokerage and negotiate commissions in the absence of the extra consulting service provided. The comparison is dependent upon a number of factors, including the frequency of brokerage activity in the client's account, the size of the account under management, and any negotiated fee arrangements with respect to the account. An investor should consider these factors prior to opening an Advisory Account with Ferguson Shapiro. Clients should consider the value of the additional consulting services when making such comparisons. The combination of custodial, consulting, and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. All fees described herein are subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested.

#### Account Termination

Client and/or Ferguson Shapiro may initiate termination of the contract at any time by sending written notice to the contra party and will be deemed to be accepted the day that it is received by the contra party. Upon written receipt of notice to terminate its client agreement and unless specific transfer instructions are received, Ferguson Shapiro and its agent will cease advisory services. Should the client provide specific instructions to liquidate, Ferguson Shapiro will proceed with liquidation of the client's account in an orderly and efficient manner. There will not be a charge by us for such redemption; however, the client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in certain circumstances. Clients must keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with the client's tax advisor. Factors that could affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory service and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. Ferguson Shapiro and its agent are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

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

Ferguson Shapiro 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**

Ferguson Shapiro provides portfolio management services to individuals, corporations and business entities, pension and profit-sharing plans, charitable institutions, foundations, endowments, estates,

trusts, and other U.S. and international institutions. While we do not have a minimum individual account size, the family household minimum is \$100,000. Ferguson Shapiro has the discretion to waive the account minimum.

Certain managers may require a higher minimum as disclosed in the individual manager's Firm Brochure. Under certain circumstances, the minimum may be waived, including related accounts that are combined to meet the minimum.

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

Our investment strategy begins with an understanding of a client's financial goals which takes into account the client's assets, liabilities, cash flows and savings ability. Allocation analytics are then performed to determine specific rebalancing and other strategies to meet the client's objectives. Advisors use demographic and financial information provided by the client to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. Investment strategies ordinarily include long- or short-term purchases of stock portfolios, mutual funds, ETFs, fixed income securities and variable annuities. Periodically we will recommend private equity or debt offerings, and/or structured note products that have little or no liquidity during the offering period. We control this risk by limiting the exposure to such instruments to very low ratios of a client's overall portfolio.

Investment recommendations are based on an analysis of the client's individual needs and are drawn from research and analysis. Security analysis methods includes the following:

- Fundamental analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors to determine if the company is underpriced or overpriced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- Technical analysis and charting: We attempt to determine the trend of a security by studying past market data, including price and volume. This presents a potential risk, as the price of a security can change directions at anytime and past performance is not a guarantee of future performance.
- Cyclical analysis: We attempt to identify the industry cycle of a company to determine whether the company is in a market introduction phase, growth phase or maturity phase. Generally projected revenues, growth potential and business risk may fluctuate based on the company's cycle stage.

Information for this analysis is drawn from financial websites and magazines, research materials prepared by others, annual reports, corporate filings, prospectuses, company press releases and corporate ratings services.

It is important to note that investing in securities involves a risk that clients must be prepared to bear. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- Interest-rate Risk: Fluctuations in interest rates cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of a security, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations could result in bankruptcy and/or a declining market value.
- **Use of leveraged or inverse exchange-traded funds (ETFs).** Leveraged ETFs are ETFs that typically employ financial derivatives and debt to try to achieve a multiple (for example two or three times) of the return or inverse return of a stated index or benchmark over the course of a single day. An inverse ETF is an ETF designed to track, on a daily basis, the inverse of its benchmark. Inverse ETFs typically utilize short selling, derivatives trading, and other leveraged investment techniques, such as futures trading to achieve their objectives. There can be no assurance that an investment strategy utilizing leveraged or inverse ETFs will prove profitable and successful. In light of the risks associated with leveraged and inverse ETFs, a client may direct Ferguson Shapiro, in writing, not to employ any investment strategy that utilizes leveraged or inverse ETFs.

Following are some of the additional risks associated with Options, Margin and Short-term transactions utilized in the Enhanced Portfolio Management strategies:

- **Options Contracts:** Investments in options contracts have the risk of losing value in a relatively short period of time. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock. This leverage can compound gains or losses. Options contracts can be purchased or sold. Ferguson Shapiro utilizes the following strategies: Covered call, selling puts to buy stock, Collars, Vertical spreads, Iron Condor's, Butterflies and Volatility strategies.
- **Margin Risk:** When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds through a margin account, securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

- **Risk of Loss Common to All Strategies:** Options trading involves a high degree of risk and is not suitable for all investors. You should be prepared to undertake the risks associated with options trading, which may include a total loss of premium and transaction costs. Weekly options are often more volatile due to the shorter time to expiration and Weekly options will lose time value at an accelerated rate compared to monthly options. We do not represent or guarantee that our methods of analysis, or investment strategies can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

#### **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 evaluation of Ferguson Shapiro or the integrity of Ferguson Shapiro’s management. Ferguson Shapiro has no information applicable to this Item.

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

Some investment adviser representatives of Ferguson Shapiro are also registered representatives Purshe Kaplan Sterling Investments (“PKS”). PKS is a broker-dealer registered with FINRA. In addition, individuals are separately licensed as insurance agents engaged in Life, Health, Long Term Care, disability and Variable insurance through Innovative Solutions Insurance Agency.

Variable products, such as variable annuities, will be offered through PKS; non-variable products will be offered through the Innovative Solutions Insurance Agency. In their capacity as a registered representative or as independent insurance agent, clients will be charged separately from their advisory services. On average individual Investment Advisor Representatives and the principals of Ferguson Shapiro spend the 20% of their time on other such activities.

This arrangement poses a conflict of interest to the extent that there is a financial incentive to recommend securities and other insurance products that result in commissions, brokerage fees, other payments. Ferguson Shapiro is dedicated to acting in our clients’ best interests based on fiduciary principles. Clients are under no obligation to purchase any recommended brokerage products or insurance products.

If a trade error were to occur, it may result in profit or loss to the firm. The firm has controls in place to limit such trade errors. Investment Advisers will not participate in any profits resulting from such errors.

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

Ferguson Shapiro has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Ferguson Shapiro must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of Ferguson Shapiro may buy or sell securities that are recommended to clients. Ferguson Shapiro’s employees and persons associated with Ferguson Shapiro are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Ferguson

Shapiro and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Ferguson Shapiro's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Ferguson Shapiro will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Ferguson Shapiro's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Ferguson Shapiro and its clients.

Advisors may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a conflict of interest in that Ferguson Shapiro or its Representatives are in a position to benefit from the sale or purchase of those securities. Ferguson Shapiro's Code of Ethics provides a policy to monitor the personal trading activities and securities holdings of each of the Firm's Representatives or other Access Persons. The Code of Ethics's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading. These policies are designed to discourage and prohibit personal trading that would disadvantage clients.

Ferguson Shapiro's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Compliance Department at our main number.

## **Item 12 – Brokerage Practices**

### **Charles Schwab & Co.**

We recommend the brokerage and custodial services of Charles Schwab & Co. ("Schwab"), a registered broker-dealer that charges brokerage commissions or transaction fees for effecting securities transactions. As the custodian holding an account, Schwab does not generally charge separately for custody services. Schwab is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed, which are included when wrap fees are charged. When selecting a custodian to recommend, a number of factors were considered, including its historical relationship with Ferguson Shapiro, financial strength, reputation, execution capabilities, pricing and services offered.

Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a minimum of total assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise.

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage services (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 are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

### Products and Services Available to us from Schwab

**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. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. We may have 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 interests 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.

In certain circumstances, we will allow clients to select the broker-dealer to execute transactions. In this case, each client selects a broker-dealer based on factors important to them. Clients will negotiate the terms and arrangements with their broker-dealer of choice, and transactions are directed to the specified broker-dealer. We will not be in a position to seek better execution services or prices from other broker-dealers. By directing brokerage, we may not be able to achieve the most favorable execution of client transactions and this practice may cost clients more money.

#### TD Ameritrade, Inc.

We also recommend the brokerage and custodial services of TD Ameritrade, Inc. ("TDA"). TDA is a registered broker-dealer that charges brokerage commissions or transaction fees for effecting securities transactions. TDA does not generally charge account holders separately for custody services. TDA is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed.

When selecting a custodian to recommend, a number of factors were considered, including its financial strength, reputation, execution capabilities, securities offered, pricing, services offered and the investment strategies of our clients.

TDA makes products and services available to Ferguson Shapiro that benefit Ferguson Shapiro but may not directly benefit its clients' accounts. Many of these products and services are used to service all or a substantial number of Ferguson Shapiro accounts. Some of these products and services provided include software and other technology that: provides access to client account data (such as trade confirmations and account statements); provides research, pricing, and other market data; facilitates payment of fees from clients' accounts; and assists with back-office functions, recordkeeping and client reporting. When client brokerage commissions are used to obtain research or other products or services, Ferguson Shapiro receives a benefit because we do not have to produce or pay for the research, products, or services ourselves. As a result of these services provided, commissions may be higher than those charged by other broker-dealers. We use soft dollar benefits to service all of our accounts, instead of using them exclusively for the accounts that generated the soft dollar benefits. We make no effort to allocate soft dollar benefits to clients in proportion to the amount of soft dollar benefits generated by each client. Within our last fiscal year, we used client brokerage commissions to acquire the products and services listed above under "Soft Dollar Benefits."

If negotiated, we will permit you to direct us to execute transactions through a specified broker-dealer that holds your account. In such an arrangement, we do not select the broker-dealer to execute your transactions. You will negotiate the terms and arrangements with your broker-dealer of choice, and we will not be in a position to seek better execution services or prices from other broker-dealers. Furthermore, we will not be able to aggregate your transactions with orders from other accounts managed by us. Consequently, you may pay higher commissions or transaction costs than otherwise would be the case.

#### Trade aggregation

Clients can benefit when we aggregate trades to obtain volume discounts on execution costs. Trade aggregation refers to the practice of combining orders for execution. When consistent with our duty to obtain best execution, we will aggregate multiple client transactions into a single order in order to obtain the best price for our clients. In such circumstances, the accounts will share commission costs equally and receive securities at a total average price. Ferguson Shapiro will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

For third party investment managers Ferguson Shapiro recommends, we do not direct brokerage in these accounts. Brokerage practices of third-party investment managers are disclosed separately in their Brochure.

#### **Item 13 – Review of Accounts**

Accounts are assigned to Investment Advisors who are responsible for performing periodic reviews and consulting with the respective client. Following these reviews, reports are prepared to assist principals in supervising and monitoring the accounts. Factors that are considered include, but are not limited to, the following: investment objectives, targeted allocation, current allocation, suitability, performance, number of trades, monthly distributions, concentrated positions, diversification, and outside holdings. At least annually, the firm will contact the client and request current information to determine whether there have been any changes in the information provided in the client's investment questionnaire.

Managed accounts are delivered performance reports semi-annually. Ferguson Shapiro urges clients to carefully review such statements and compare the official custodial records to the account statements that we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

The client agrees to inform the firm in writing of any material changes to the information included in the questionnaire or any other change in the client's financial circumstances that might affect the manner in which client's assets should be invested. Clients may contact the firm during normal business hours to consult with the firm concerning the management of the client's account(s).

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

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Ferguson Shapiro does not compensate for client referrals.

#### **Item 15 – Custody**

Clients should receive statements at least quarterly from Schwab or other selected qualified custodian that holds and maintains client's investment assets. Ferguson Shapiro urges clients to carefully review such statements and compare the official custodial records to the account statements that we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Ferguson Shapiro may act in a discretionary or non-discretionary capacity. If discretionary authority is granted to select the identity and amount of securities to be bought or sold, clients must authorize such discretion in writing in the advisory agreement. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Ferguson Shapiro observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Ferguson Shapiro in writing.



Ferguson Shapiro may recommend third party investment managers. When acting in a discretionary capacity, the firm has the ability to evaluate managers and switch money managers or reallocate assets among managers without consulting the client. When acting in a non-discretionary capacity, the Advisor will make recommendations, but only the client has the authority to hire or switch money managers or reallocate assets between programs. In all cases, the Advisor will monitor performance of the third-party investment manager and will make recommendations consistent with the client's investment objectives and risk tolerance.

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

As a matter of firm policy and practice, Ferguson Shapiro does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients should contact their financial advisor if they have any questions and/or to obtain this information. Clients will receive their proxies directly from their custodian or transfer agent.

Clients can authorize investment managers to vote proxy requests on their behalf in their client agreements. Please refer to the respective investment manager's Form ADV for a full disclosure of its proxy voting policies and procedures.

#### **Item 18 – Financial Information**

Registered Investment Advisers are required to provide clients with certain financial information or disclosures about Ferguson Shapiro's financial condition. Ferguson Shapiro has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceeding.

#### **Privacy Policy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at (404) 567-6771 if you have any questions regarding this policy.