

**July 20, 2009**

# **COMPASS FINANCIAL ADVISORS, LLC**

INFORMATION ABOUT COMPASS FINANCIAL ADVISORS, LLC'S  
MANAGEMENT, CONSULTING, FINANCIAL PLANNING  
AND RETIREMENT PLAN ADVISORY SERVICES

## **Form ADV, Part II Information**

Investment Advisory Services:

- Fundamental Planning Services
- Asset Allocation and Portfolio Supervision
- Independent Third-Party Manager Services
- Retirement Plan Advisory Services

## **Form ADV, Schedule H "Wrap" Service Information**

Asset Allocation and Portfolio Supervision Services

## **Privacy Policy**

## **COMPASS FINANCIAL ADVISORS, LLC**

### **FORM ADV PART II INFORMATION ABOUT SERVICES AND FEES**

Compass Financial Advisors, LLC (“Compass”) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Its home office address and phone number are: 2803 Boilermaker Court, 1B, Valparaiso, Indiana 46383, (219) 476-7100. Individuals associated with Compass provide the advisory services on behalf of the firm. These individuals are appropriately licensed, qualified and authorized to provide advisory services on Compass’ behalf and are called Investment Adviser Representatives (“Representatives”).

#### **OVERVIEW**

Compass makes both investment management and counseling services available to a wide variety of clients, including individuals, entities, pension and profit sharing plans, trusts, estates and charitable organizations, corporations and other business entities.

While providing its services, Compass can advise clients about a wide variety of securities, including exchange-listed and over-the-counter stocks, warrants, bonds, commercial paper, certificates of deposit, municipal securities, U.S. government securities, mutual funds, exchange-traded funds, variable annuities and insurance, convertible securities, securities options and interests in partnerships, limited liability companies and other entities. Compass is also available to provide advice about insurance coverage.

Most persons associated with Compass, including its Representatives, may be registered as securities representatives of Fintegra, LLC (“Fintegra”), a licensed, full-service securities broker/dealer and investment adviser. Fintegra is a member of the Financial Industry Regulatory Authority (“FINRA”). Securities transactions for Fintegra’s brokerage customers are executed and cleared through Pershing, LLC, an unaffiliated securities broker/dealer specializing in processing transactions for other “introducing” firms. Pershing also provides Fintegra customers with transaction confirmations and account statements.

Compass Representatives begin each advisory service by carefully examining the client’s investment objectives and financial circumstances. During this stage, time is taken to educate clients about the various features of different types of investments to make them aware that attempting to attain a higher rate of return entails accepting higher levels of risk. It is the client’s responsibility to ask questions if there is something the client does not understand. Once this initial evaluation is complete, Compass Representatives will recommend one or more of the advisory services described below.

Compass Representatives strive to provide investment advice that is in the client’s best interest, using their best judgment. They consider past performance of investments and mutual fund and other third-party managers, but rely more on reports from other sources that provide information about the make-up and nature of the investments being considered. Compass and its Representatives do not assure any client a profit will occur from Compass’ services, or guarantee against a loss.

## INVESTMENT ADVISORY SERVICES

There are four investment advisory services available from Compass:

**Plan 1 – Fundamental Planning Services.** This service begins by a Representative evaluating the financial objectives and circumstances of a client, determining the client's short- and long-term needs, analyzing alternate strategies, then drafting written financial plans that may be simple or complex. The service may involve a one-time project or a long-term ongoing engagement. Plan 1 services are designed for situations where there is not a large dollar amount of investments to manage or where the planning project issues are complex or dealing with issues outside the area of portfolio management. General areas addressed by planning services may include funding retirement income, wealth accumulation and retention, general cash flow planning, estate planning, business continuation planning, pension planning and deferred compensation planning. These services are available to clients for an hourly fee or project fee. In addition to the fees charged, Representatives who are also licensed as securities or insurance agents may earn a commission on the sale of products resulting from the advice given and may, at their discretion, waive advisory fees in lieu of the commissions.

**Plan 2 – Asset Allocation and Portfolio Supervision Services.** Compass and its Representatives can provide asset allocation and portfolio management services under the firm's Asset Allocation and Portfolio Supervision program. The fee for these services is based on a percentage of assets under management. The services include investment analysis, allocation of investments, quarterly portfolio statements, ongoing monitoring, and formal reviews of the portfolio at the times Representatives select.

**Plan 3 – Independent Investment Managers Services.** Representatives may choose to recommend the use of third party managers that perform allocation modeling, investment selection, monitoring, rebalancing and reporting. Fees to Compass for such services, including those for monitoring the other managers' services, are usually calculated as a percentage of the assets under management.

**Plan 4 – Retirement Plan Advisory Services.** These Services are provided to plan sponsors needing assistance in selecting and evaluating investments for their retirement plan and participants. Plan set-up services are available. At least semi-annually, or more frequently if requested by a sponsor, Compass will perform a portfolio evaluation to determine how well plan investments are performing. Compass Representatives also provide general advice to plan participants regarding the nature of investments available in the plan and regarding alternative investment strategies to select to attempt to achieve different investment objectives.

## DETAILS OF EACH INVESTMENT ADVISORY SERVICE

### PLAN 1 – Fundamental Planning Services

In designing a fundamental Plan, regardless of the complexity, Representatives will:

(a) Interview the client, analyze the client's financial needs and assist the client in developing realistic goals and objectives based on information provided by the client. The Representative may also clarify planning problems and outline strategies designed to be

solutions. A client may retain Compass to perform a single nonrecurring project, such as investment research or specific investment advice, retirement planning or insurance analysis, rather than preparing a comprehensive plan covering these and other subjects. The client may also engage a Representative for projects that may take a long period of time if more complex long-term planning is needed.

(b) Prepare a written Financial Plan in the scope requested by a client based on the information gathered during the client interview and needs evaluation. This Plan may include establishing a clear set of objectives, an outline of resources, a written investment policy statement, an asset allocation model, strategy recommendations, product recommendations, and steps for implementing the Plan.

(c) Help the client implement the Plan, including purchasing and/or selling securities and/or insurance products.

(d) Review the Plan periodically, no less than annually, or as agreed upon with the client.

The Representative may also, as needed, recommend changes to the client's investment portfolio or Plan, either in writing or verbally. Changes in the client's financial condition, personal circumstances, goals, or general economic conditions may trigger changes in the Plan. To the extent material changes have occurred to a client's circumstances or goals, or to the extent a client requests a new project, the client will be asked to sign a new services agreement. The client may initiate contact with a Representative as often as needed and the Representative will schedule conferences as needed, usually no less than annually.

All planning is based on information provided by the client. It is the client's responsibility to be certain Compass has current and accurate information for the initial plan and it is the client's responsibility to inform the Representative of material changes affecting the investments and planning strategies implemented.

#### PLAN 1 – Fees

Fees may be charged for Plan 1 services on a fixed project or on an hourly basis. The standard hourly rate is as follows:

Clerical	\$ 65
Paraplanner	\$ 100
Advisory Representative	\$ 150
Advisory Representative, CFP	\$ 250

These hourly rates may be negotiated, but they may not exceed \$250 per hour.

Fixed fees, or project fees, are determined by the Representative by estimating the complexity of the client's circumstances, the level of skill required to perform the service, and

the amount of time that will be required in research, analysis and Plan preparation. The exact fee is disclosed to the client prior to contract signing.

One-half of the estimated fee is payable upon commencement of services with the balance due upon delivery of the written Plan. Payment arrangements are detailed in a formal client services agreement which is prepared for each client. The fee may be waived in whole or in part by the Representative if, in the course of implementing a Plan, the client purchases securities or insurance products that pay a commission to the Representative sufficient to compensate the Representative for his/her time and skill. Waiving the fee is at the sole discretion of Compass and its Representative. Each client retains the right to terminate the engagement of Compass at any time, in writing and without prior notice, for any reason. Compass retains the right to terminate any engagement at any time, for any reason, by giving 30 days' written notice. **UNDER NO CIRCUMSTANCES WILL COMPASS REQUIRE PREPAYMENT MORE THAN SIX MONTHS IN ADVANCE AND IN EXCESS OF \$500.** Any unearned prepaid fee is returned to the client upon termination.

The fees described above may change based on special situations such as an expansion of a project, increase in the number of reviews, more specialized needs of the client, more complex planning, or more detailed reporting. If such a change is required, the client is given 30 days' prior written notice and agrees to such changes by signing a new Services Agreement, or an amendment thereto.

## **PLAN 2 – Asset Allocation and Portfolio Supervision**

Compass offers clients portfolio management and reporting services by means of its Asset Allocation and Portfolio Supervision program. Through the program, clients receive investment analysis, allocation recommendations, monthly or quarterly statements reflecting holdings and transactions, quarterly analysis statements, and ongoing monitoring services for a portfolio which may include stocks, bonds, mutual funds, exchange-traded funds, private placements, and convertible securities. Compass may also recommend the use of third-party investment managers and, depending upon the services agreement signed. Compass may have authority from the client to exercise discretion in hiring and terminating a manager. Accounts are restricted from buying, selling, or holding positions in so called Class C (level load) mutual fund shares. All eligible securities can be bought in an Asset Allocation and Portfolio Supervision account or transferred into the account.

Under the program, the initial asset allocation process is based on the financial information gathered from the client including net worth, risk tolerance, financial goals and objectives and overall financial conditions. Based on that information, the client is provided with investment recommendations designed to provide an appropriate asset mix consistent with the client's objections. The client's portfolio and its performance are monitored by the client's Representative in light of the client's stated goals and objectives. The frequency of these reviews is determined by the Representative. Depending on the type of services agreement signed by the client, Compass may have discretion to place orders at will, and will do so without first contacting the client for permission for a transaction. Compass Representatives meet with the client on an as needed basis to discuss the portfolio or other aspects of the service.

Compass typically recommends that investment management clients use the custody services of one of three brokerage firm custodians: Pershing LLC, Fidelity Brokerage Services LLC or Charles Schwab & Co., Inc. These firms provide custody of client assets, process transaction orders for client accounts, prepare account activity statements, and facilitate the payment of advisory fees due Compass and third-party managers.

As a general rule, Compass believes that investing is best suited to those who believe in a long-term buy-and-hold policy. Therefore, clients should not expect frequent investment changes in the portfolio. However, as a result of monitoring the account, portfolio modifications may occasionally be advisable and made. Note: This is not a “wrap” fee program. Commissions will be charged for transactions by the brokerage firm processing the transactions. Wrap account services are available from Compass and described in Compass’ Form ADV, Schedule H.

#### PLAN 2 – Fees

Fees payable for Asset Allocation and Portfolio Supervision program services will be calculated as a percentage of the total value of investments under management as set forth below. In addition to this advisory fee, there will be transactional, administrative, servicing fees and commissions.

<u>Market Value of Account</u>	<u>Annual Rate</u>
\$0 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
\$1,000,001 - \$3,000,000	1.00%
Over \$3,000,000	0.65%

In some cases, fees may be negotiated. All fees are specified in each client’s services agreement.

Clients and prospective clients should be aware that using the convertible security strategy described on Page 10 of this brochure subjects the account to an annual asset-based fee of up to 4% per year. This percentage fee is generally higher than charged by other advisors capable of providing similar services.

Advisory fees are payable monthly, in advance and are calculated on the basis of the market value of the investments in the account including any balances held in money market funds. The fee for the initial partial month is **waived** entirely. Subsequent fees are charged in advance starting with the first complete month and are based on the market value of the account as of the last day of the most recently completed month. Upon termination of the account, any prepaid advisory fees will **not be refunded**.

Clients should also be aware that certain management service programs require payments for services on a quarterly basis, on the same basis as specified above for monthly fees, except that all fees for partial quarters are prorated.

Commissions will also be charged in accordance with the account's brokerage firm's normal commission schedule. Some mutual funds impose no sales charge, but transaction fees may be charged on all mutual fund transactions by the brokerage firm processing the trades. Mutual funds held in portfolios also pay internal investment management fees and other internal expenses as described in the prospectus of each fund. Thus, clients pay these internal fund fees in addition to program fees to Compass. Clients should be aware that such funds may be available outside of the Asset Allocation and Portfolio Supervision program at no charge.

Fees payable to Compass are deducted from the client's account when due. Compass will liquidate money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be liquidated. Authorization for the automatic deduction of fees from the account is contained in the Services agreement. The invoice sent to the custodian shows the amount of the fee, the value of the assets on which the fee is based, and the specific manner in which the fee was calculated. The client's periodic portfolio statements from the custodian disclose all amounts disbursed from the account, including advisory and service fees paid. The client may terminate the authorization for automatic deduction of advisory fees payable to Compass at any time by notifying Compass in writing. Compass has the right to modify the fee schedule upon 30 days advance notice to the client.

Any client services agreement may be terminated by a client without penalty upon delivery of written notice to Compass within five business days after the date of the client's execution of the Client Services Agreement.

### **PLAN 3 – Independent Third-Party Manager Services**

Compass may enter into various agreements with unaffiliated investment managers who independently offer investment management and asset allocation services. Compass will not conduct a comprehensive search for such advisers, but will usually recommend those it is familiar with and believes will provide competent investment management services to clients. Other independent firms may provide services at higher or lower costs and have better or worse performance than managers recommended by Compass. Once a client has selected a manager, Compass provides the manager with information regarding the client's financial background and objectives. The client then enters into an agreement with the manager resulting in the manager agreeing to manage the client's account on a discretionary basis. Compass, itself, may also enter into such agreements, provided a client has granted discretion to Compass to do so. Using discretion, the managers purchase and sell securities without first contacting the client or Compass to do so.

After referring a client to a third party manager, Compass consults periodically with a client regarding the performance of the client's managed account and assists the client on an ongoing basis regarding adjustments to asset allocations and other matters. Compass usually does not recommend replacement of a manager based upon short-term results but will recommend such changes when it deems it appropriate to do so.



### PLAN 3 – Fees

In return for providing Independent Third-Party services, Compass usually receives a percentage of the asset-based fee charged by the independent third party adviser. Fees are negotiable and typically range from .65% to 2.50%, depending upon size and type of portfolio, in accordance with the fee schedule set forth below. However, depending upon the terms of the contract, Compass may collect the manager's fee as a portion of the total fee Compass charges to a client.

Value of Assets	Annual Fee
\$0 - \$500,000	2.50%
\$500,001-\$1,000,000	2.00%
\$1,000,001-\$3,000,000	1.50%
\$3,000,001-\$10,000,000	1.00%
Over \$10,000,000	0.65%

Fees are payable monthly, or quarterly, in advance as specified in the services agreement.

The terms of the agreements used by third-party management service providers vary from firm to firm with respect to service level, fees, termination provisions and custodial arrangements. Before entering into any service contract with a third party investment adviser, clients are encouraged to carefully review that firm's Form ADV, Part II, and compare the service levels and fees to other available service providers.

In some cases, when a client uses the services of an independent investment manager, that manager may choose to implement securities transactions through Fintegra, resulting in commissions to Fintegra. A portion of those commissions may be returned to the Compass Representative registered as securities representatives for Fintegra. Thus, when recommending certain programs, Compass' Representatives have a conflict of interest since they know they will be receiving commissions as a result of the recommended manager's transactions.

### PLAN 4 – Retirement Plan Advisory Services

Compass may enter into agreements with employers that provide qualified retirement plans (the "Plan") with various advisory services. Compass can provide the following services:

#### Investment Advice to the Employer at a Plan Level –

Annually, or more often if requested by the client or deemed necessary by Compass, Compass will deliver a written report to the Plan which includes:

1. Review of the Plan's Investment Policy Statement, including assessing the following: (a) the criteria for selecting money managers and the due diligence procedures that the Plan followed in selecting its money managers and/or mutual funds; (b) the basis for asset



mix and rebalancing limits; (c) the performance measurement criteria; (d) monitoring procedures of money managers and other investment-related vendors; (e) composition and relevancy of quarterly performance reports; (f) composition of custodial reports; and (g) termination procedures for money managers.

2. Review of providers (custodians and recordkeeping) available to the Plan including: (a) the capabilities of various providers; (b) the performance record of various providers; (c) the scope of investment choices at various providers; and (d) the cost of various providers.

3. Review of the Plan's overall investment activities for possible conflicts of interests or prohibited transactions by the fiduciary, money managers and/or consultants.

4. Review, if applicable, of the Plan's socially responsible investment objectives.

Periodically as requested by the client, or deemed necessary by Compass, Compass will conduct a fund/portfolio review (either alone or with the Plan's investment policy committee) to include:

5. Portfolio design and asset allocation recommendations for at least five various investment models designed with (a) varying time horizons, (b) risk tolerance, and (c) investment return objectives;

6. The appropriateness of the managers/funds relative to the Plan's asset allocation within each model and relative to the criteria set forth in the Plans Investment Policy Statement;

7. Current performance of each of the managers/funds against their appropriate peer group and relevant industry benchmark; and

8. Investment education for the participants of the Plan, including having a Representative available semi-annually, (or more often if agreed upon by the client and Compass) in person and daily by phone or email for the purpose of providing general investment education to participants of the Plan. The education will be given based on information about the participant given voluntarily by the participant to the Representative about (a) the participant's goals, (b) the participant's investment time horizons, (c) the participant's risk tolerance and experience with investments, (d) the participant's resources, and (e) the market and investment opinions of Compass and the client's Representative. Participants are required to make the final investment decisions regarding the choice of investment, amount of investment and timing of investment that fits their goals.

All advice provided by Compass and its Representatives is based upon the reliability of the data provided to Compass by the Plan and the Plan participants.

Either the client or Compass may at any time request an audit of the Plan by an independent certified public accountant, the fee for such audit will be paid by the party making the audit request.

## PLAN 4 - FEES

In return for providing Retirement Plan services, Compass will charge an annual fee based on a percentage of the value of Plan assets as set forth below.

The fee is negotiable but will generally conform to the following schedule:

<u>Asset Levels</u>	<u>Annual Fee</u>
\$ 0 to \$ 500,000	1.00%
\$ 500,000 to \$ 1,000,000	0.90%
\$ 1,000,000 to \$ 1,500,000	0.80%
\$ 1,500,000 to \$ 2,000,000	0.70%
\$ 2,000,000 to \$ 2,500,000	0.60%
\$ 2,500,000 to \$ 3,000,000	0.50%
\$ 3,000,000 to \$ 4,000,000	0.40%
\$ 4,000,000 to \$ 5,000,000	0.30%
\$ 5,000,000 to \$ 10,000,000	0.20%
\$ 10,000,000 to \$100,000,000	0.10%
\$100,000,000 to \$500,000,000	0.05%

An additional fee based on the percentage of assets of the Plan is charged to participant assets in any of the Compass managed model portfolios.

The fee is payable in arrears on a monthly or quarterly basis, as determined in advance between Compass and the client, and is based on the average value of the Plan assets for each month. (In some instances the fee may be based upon month-end values.) The fee will be assessed and deducted from participant accounts. A sale of holdings in the participant accounts to provide the fee will be made on a prorated basis of the approximate value of the various investments in the account.

The client or Compass may terminate the services agreement upon thirty (30) days' advance written notice to the other. Termination will not affect the liabilities or obligation of the client for work already completed. The fee will be pro-rated based on the number of days left in the billing period.

## SERVICES TO NATIONAL ADVISORS TRUST COMPANY

Compass and National Advisors Trust Company, FSB ("NATC") have entered into an agency contractual relationship for the purpose of Compass providing investment management services to accounts accepted by NATC. The Investment Consultant Agreement provides that Compass' representatives shall establish and maintain an investment management strategy utilizing asset allocation mutual fund models for all Program accounts assigned by NATC for Compass investment management services. The asset allocation models formulated by Compass are each managed and maintained with different investment objectives.

Accounts will be managed in accordance with an investment objective statement formulated by risk/reward tolerance considerations for the account and in compliance of NATC's

investment management established policies, procedures and regulatory laws. Compass has limited discretionary trading authority over the Program's custodial trust account to make purchases and sales in various types of securities; but will execute trades for trust account's investment objective asset allocation strategy using NATC approved mutual funds and NATC approved exchange-traded funds.

If the total trustee fee charged by NATC to the trust account for its fiduciary services was 1.50% per year on the assets under management, Compass will earn .25% for its investment management services. The Program's Trustee Fee may be more or less than 1.5% and the Compass portion may be different.

## **TYPES OF SECURITIES AND STRATEGIES**

Besides managing accounts containing the securities identified on the first page of this brochure, Compass may also apply management strategies designed to provide a steady stream of income from securities having coupon rates that are generally higher than that of a comparably rated corporate bond by using strategies that involve convertible securities. These strategies, which typically are used by corporate clients, involve investing significant amounts in short-term convertible investments tied to one or more underlying stocks. The investments, which may number 10-20, are screened as part of the strategy and selected based upon coupon rate, short maturity dates, rating, and income dependability. In addition to recovering the stated coupon rate, at maturity the client receives the initial investment in cash, or a pre-specified number of shares. To offset losses when the shares received are valued at less than the initial investment, covered call options are written.

As indicated in the management services section of this brochure, the maximum 4% fee charged for the services per year is higher than may be available from other management firms providing similar services, if available at all.

## **QUALIFICATIONS**

Representatives giving advice must meet certain minimum education and/or experience requirements. A Representative must have a college degree or be certified as a Certified Financial Planner or be a Certified Public Accountant, and have no less than two years experience in the investment or insurance business.

## **PROFESSIONAL STAFF**

John Gerard Lauer, CFP® – Born 08/19/56. Attended Purdue University, Economics, for 2.5 years. His business activities since 1983 have been 100% insurance/investment related. He holds the following FINRA registrations; Series 6, 7, 24, 51 and 65. Prior to entering the financial business in 1983, John owned a chain of 11 retail health food stores.

Lynn R. Fisel – Born 08/09/51. Bachelor of Science, Business, Ball State University; Accounting, Indiana University, South Bend. Lynn is a Certified Public Accountant. He has passed the FINRA Series 7, 63 and 65 examinations.

David R. Breuer, CFP® – Born 12/26/65. Bachelor of Arts, Economics, Illinois State University, Normal, Illinois. He has passed the FINRA Series 7, 63 and 65 examinations and is a CFP® practitioner.

Bruce A. Patterson – Born 10/02/47. Attended IPFW, Fort Wayne, Indiana. He has passed the FINRA Series 6, 7, 63, 65 and 26 examinations and has attained the CLU and ChFC designations and a MSFS degree. He has been in the financial services industry since 1972 and has always lived and worked in the Fort Wayne area.

Gregory A. Taylor – Born 06/25/57. Bachelor of Science, Telecommunications, Ball State University, Muncie, Indiana. He has passed the FINRA Series 7, 63, and 65 examinations and has completed the CFP professional education program and is matriculating for the exam.

John R. Graves – Born June 16, 1959. John goes by the name “Bob”. He has an MS in Management and Human Resource Management. Bob served in the USAF before joining the Federal Bureau of Investigation, where he retired as a Supervisory Special Agent of the Domestic Terrorism Operation in 1999. He then entered the financial services field and has passed the FINRA Series 4, 6, 7, 24, 26, 52, 63 and 65 exams. He is also a Certified Financial Planner (CFP®), and Master Certified Estate Planner.

Craig A. Blue – Born October 17, 1950. Craig attended Indiana University, South Bend focusing on Marketing. He has worked in the financial services industry for 23 years. He has been a registered representative with a broker-dealer as well as an investment adviser representative and branch manager during that time. He has passed the FINRA Series 7, 8, 63 and 65 exams.

James J. Bobos – Born 05/03/66. Bachelor of Science, Chemistry, Purdue University. He has passed FINRA Series 7 and 66 examinations. He has recently completed the CFP professional education program.

## **AFFILIATIONS**

When Compass Representatives make recommendations for the purchase of securities, variable insurance contracts and other investments, the transactions may be processed by Fintegra and the Representatives are entitled to receive customary commissions. Representatives may also be insurance sales persons for certain insurance companies directly. The receipt of commissions in return for investment and insurance product purchases creates a conflict of interest for Representatives when they recommend such products to clients.

Compass clients are free to implement the recommendations they are given by Compass Representatives through any firm they so choose. However, most clients opt to have the Representatives process the recommended transactions for them. In order to provide investment management services, clients are required to use Fintegra and its transaction clearing firm, Pershing, to effect transactions and to maintain custody of account positions.

Representatives of Compass may buy or sell securities for themselves that they also recommend to clients. Where a transaction for a Representative, or an account related to the Representative, is contemplated, a client’s transaction is given priority. Compass has developed

a Code of Ethics applicable to all persons who have access to confidential client records or to recommendations being made for client accounts. Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm's staff, the Code requires such "access persons: to obtain preapproval of certain securities transactions, to report transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities for clients accounts. The Code also establishes certain bookkeeping requirements relating to federal reporting rules. The Code is required to be reviewed annually and updated as necessary. A complete copy of the firm's Code is available upon request.

John G. Lauer and Lynn Fisel, controlling persons of Compass, are also the managing members of Goldstar Private Capital, LLC, the sole manager of Goldstar Private Capital Fund I, LLC ("Goldstar"), a private placement "hedge fund" designed to provide investors in it with current income and long-term capital appreciation by investing in a diversified range of investments throughout the United States. As co-managers, they control the fund and are also entitled to receive a share of the earnings of the organization. Investments in Goldstar will be recommended to clients of Compass. Thus, when such recommendations are made, Compass, Mr. Lauer and Mr. Fisel have a conflict of interest in that they will benefit financially if interests in Goldstar are purchased.

Compass, or Representatives affiliated with Compass, will also periodically be involved with private offerings such as Property 49, LLC, Goldstar Opportunity Fund 2, and Fintegra Holdings, LLC, which Compass Representatives may recommend to clients. A conflict of interest exists if those Representatives recommending the offering are also shareholders of the issuer or have other positions with the issuers or their affiliates. Clients are encouraged to carefully review the private placement memorandums presented to them by Representatives to determine the Representatives' affiliation with and compensation from the issuer or entities related to it.

Representatives of Compass may also own limited liability interests in Fintegra Holdings, LLC, the parent company of Fintegra, LLC. This ownership creates a conflict because the Representatives indirectly benefit from products and services sold through Fintegra since, as indirect owners of Fintegra, they share in profit distributions.

## **CONDITIONS FOR MANAGING ACCOUNTS**

Although Compass does not generally have any conditions for providing its services, Compass Representatives may negotiate a base fee for all services.

## **REVIEWS AND REPORTS**

For clients receiving Plan I -- Fundamental Planning Services, a written financial plan is prepared in the scope requested by a client, in the initial client interview and subsequent counseling sessions. Reviews of Fundamental Planning services accounts are performed by the Representative at the times the Representative deems appropriate, and by one or more

supervisors at the firm, to insure the planning advice given is suited to establishing a path to achieve the client's goals.

Clients receiving Plan II -- Asset Allocation and Portfolio Supervision Services, receive reports at least quarterly from the account custodian and, more frequently, as determined in advance between the client and the client's Representative. The client's Portfolio is regularly reviewed by the Compass Representative in the frequency determined by the Representative and also reviewed by one or more supervisors at Compass to ensure the investments in the account are in line with the client's stated investment objectives.

Those clients receiving Plan III -- Independent Investment Manager Services, receive reports from the client account custodian at least once per quarter, or more frequently as determined between the client's Representative and/or the Third-party Managers of the account. Reviews of the account are performed in the frequency determined by the Compass Representative and/or the Representative and client. Supervisory reviews are also performed by supervisors at Compass to ensure the strategies being employed by the Third-party Managers are consistent with the investment objectives of the client. Recommendations to change managers are made by the Representative or supervisor at the times they deem appropriate.

Those clients receiving Plan IV -- Retirement Plan Advisory Services, receive reports in the scope and frequency as determined between the Compass Representative and, most often, the Plan sponsor receiving the services. Such reports may include identity of specific money managers deemed appropriate for the Plan, the performance of Plan investments, recommendations regarding investments available to Plan participants, and summary reports to Plan participants. Reviews of Plan investments occur as frequently as determined between the client and Compass. Reviews are also performed by supervisors at Compass periodically to insure the advice given to clients is consistent with the clients' investment objectives.

## **USE OF DISCRETION**

Although it generally does not exercise discretion to select brokerage firms, Compass Representatives typically recommend the transaction and/or custodial services of Fintegra, LLC ("Fintegra"), Pershing, LLC ("Pershing"), Fidelity Brokerage Services, LLC ("Fidelity"), and Charles Schwab & Co., Inc. ("Schwab").

When providing investment management services, Compass Representatives may exercise discretion when granted such authority by a client. When Compass has such authority, Representatives may select the kind of securities to buy and sell, the amount to buy and sell and, often, the commission rates paid without obtaining specific consent from the client for each trade. Clients should be aware that Representatives may make different recommendations with respect to the same types of securities or insurance products to different advisory clients. Commissions and executions for transactions implemented through Fintegra, Pershing, Fidelity, or Schwab may not be better than commissions or executions available if the client used another brokerage firm. However, Compass believes that the overall level of services and support provided to clients by Fintegra, Schwab, and Fidelity outweighs the potentially lower costs, which may be available from other brokerage arrangements.



When exercising discretion, Compass may combine orders for more than one client's account to form a "block" order for the purpose of seeking a better price and execution. When a block order is executed, the broker/dealer executing the order typically allocates an average execution price to all shares in the block order, which Compass then allocates to each customer's position within the block on a pro rata basis. Should a block order only be partially filled, available shares are distributed in a manner fair to all accounts.

If a client directs Compass to effect transactions through a particular broker/dealer, including Fintegra, Pershing, Fidelity or Schwab, Compass will do so. However, such an instruction may have implications to the client. The instruction may cause the client's account to incur transaction costs and commissions that may be higher/lower than if the instruction had not been given. Also, such a restriction may limit Compass' ability to bunch the client's order with those of other clients to process a block order through a single broker/dealer to obtain best price and/or execution. In addition, if Compass is effecting transactions in a security for clients by means of a block order, as well as an order in the same security, for a client who has directed Compass to use a particular broker/dealer, Compass will effect the block order immediately prior to effecting the directed brokerage trade. Thus, clients directing Compass to use a particular broker may not receive the same average price for securities bought or sold that would be received if the order was part of a block order.

Depending upon the services agreement, third-party managers used to manage client accounts may be hired or terminated by Compass, as it deems appropriate. Such managers also have authority to purchase and sell securities at their discretion.

## **PAYMENTS FROM THIRD PARTIES**

Compass participates in service programs of Pershing, LLC, ("Pershing"), Fidelity Brokerage Services, Inc. ("Fidelity") and Charles Schwab & Co., Inc. ("Schwab") and recommends these firms ("Service Providers") to clients for custody and brokerage services. Clients should be aware that there is no direct link between Compass and the Service Providers in connection with the advice Compass gives to clients. Compass receives economic benefits through the custody and operating relationships it has with the Service Providers that are typically not available to the Service Providers' retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving advisory representative participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees; and discounts or no fees on a compliance, marketing, research, technology, and practice management products or services provided to Compass by third-party vendors. The Service Providers may also pay for business consulting and professional services received by Compass's affiliated persons and may also pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses) for Compass's personnel to attend conferences or meetings relating to their service platforms or to their adviser custody and brokerage services generally. Some of these products and services made available by the Service Providers may benefit Compass, but may not benefit its client



accounts. Such other services made available by the Service Providers are intended to help Compass manage and further develop its business enterprise, and such services do not depend on the amount of brokerage transactions directed to them.

Clients should be aware that the receipt of the economic benefits described above by Compass from the Service Providers, in and of itself, creates a potential conflict of interest and may indirectly influence Compass' recommendation of those Service Providers for custody and brokerage services."

Compass and its Representatives may be eligible for incentive awards from product sponsors, including Fintegra, which may affect product recommendations. Also, when certain mutual funds are included in client portfolios, Representatives giving advice may receive continuing, asset-based 12b-1 fees paid by the mutual funds through Fintegra. These fees are paid based on the value of the funds held in a portfolio. Thus, the Representatives have an incentive to recommend holding such positions since selling them will result in lower compensation to the Representatives.

### **PROXY VOTING**

Compass' proxy voting policy is to allow clients to make all decisions being addressed in a company's proxy proposal and submit the votes. Compass does not take independent action to vote any proxy on behalf of clients. In the event a proxy is received by Compass from a company, it will be forwarded to the client for review and action.

**COMPASS FINANCIAL ADVISORS, LLC**  
**2803 BOILERMAKER COURT, 1B**  
**VALPARAISO, INDIANA 46383**  
**(219) 476-7100**

THIS BROCHURE PROVIDES CLIENTS WITH INFORMATION ABOUT COMPASS FINANCIAL ADVISORS, LLC'S ("COMPASS") ASSET ALLOCATION AND PORTFOLIO SUPERVISION PROGRAM THAT SHOULD BE CONSIDERED BEFORE BECOMING A CLIENT OF COMPASS. THIS INFORMATION HAS NOT BEEN APPROVED OR VERIFIED BY ANY GOVERNMENTAL AUTHORITY.

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**COMPASS FINANCIAL ADVISORS, LLC**

**SCHEDULE H INFORMATION ABOUT “WRAP” SERVICES AND FEES**

Compass Financial Advisors, LLC (“Compass”) is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Its home office address and phone number are: 2803 Boilermaker Court, 1B, Valparaiso, Indiana 46383, (219) 476-7100. Individuals associated with Compass provide the advisory services on behalf of the firm. These individuals are appropriately licensed, qualified and authorized to provide advisory services on Compass’ behalf and are called Investment Adviser Representatives (“Representatives”).

**OVERVIEW**

Compass makes both investment management and counseling services available to a wide variety of clients, including individuals, entities, pension and profit sharing plans, trusts, estates and charitable organizations, corporations and other business entities. This Schedule H describes the firm’s “wrap” fee account management services, while the firm’s Form ADV, Part II brochure describes the firm’s counseling and management services provided on a non-wrap basis.

While providing its management services, Compass can advise clients about a wide variety of securities, including exchange-listed and over-the-counter stocks, warrants, bonds, commercial paper, certificates of deposit, municipal securities, U.S. government securities, mutual funds, exchange-traded funds, variable annuities and insurance, convertible securities, securities options and interests in partnerships, limited liability companies and other entities. Compass is also available to provide advice about insurance coverage.

Compass’ investment management services program described in Schedule H is a “wrap fee” service. As such, the asset-based fee charged to clients covers Compass’s management fees, third-party portfolio management fees (if applicable), as well as certain brokerage transaction commission costs, on the majority of all transactions.

**Asset Allocation and Portfolio Supervision**

Compass offers clients portfolio management and reporting services by means of its Asset Allocation and Portfolio Supervision program. Through the program, clients receive investment analysis, allocation recommendations, monthly statements reflecting holdings and transactions, quarterly analysis statements, and ongoing monitoring services for a portfolio which can include stocks, bonds, mutual funds, exchange-traded funds, private placements, and convertible securities. Accounts are restricted from buying, selling, or holding positions in so called Class C (level load) mutual fund shares. All eligible securities can be bought in an Asset Allocation and Portfolio Supervision account or transferred into the account. Compass may also hire and terminate third-party investment managers to manage all, or a portion, of a client’s account.

Under the program, the initial asset allocation process is based on the financial information gathered from the client including net worth, risk tolerance, financial goals and objectives and overall financial conditions. Based on that information, the client is provided with investment recommendations designed to provide an appropriate asset mix consistent with the client's objections. The client's portfolio and its performance are monitored by Compass Representatives in light of the client's stated goals and objectives. The frequency of these reviews is determined by the Representative. Depending on the type of services agreement signed by the client, Compass may have discretion to place orders at will, and will do so without first contacting the client for permission for a transaction. Compass Representatives meet with the client on an as needed basis to discuss the portfolio or other aspects of the service.

Compass typically recommends that investment management clients use the custody services of one of three brokerage firm custodians: Pershing LLC, Fidelity Brokerage Services LLC or Charles Schwab & Co., Inc. These firms provide custody of client assets, process transaction orders for client accounts, prepare account activity statements, and facilitate the payment of advisory fees due Compass and third-party managers.

Compass believes that investing is generally best suited to those who believe in a long-term buy-and-hold policy. Therefore, clients should not expect frequent investment changes in the portfolio. As a result of monitoring the account, portfolio modifications may occasionally be advisable and made. Note: This is not a "wrap" fee program. Commissions will be charged for transactions by the brokerage firm processing the transactions. Wrap account services are available from Compass and described on Compass' Form ADV, Schedule H.

## **Fees**

Fees payable for Asset Allocation and Portfolio Supervision program services will be calculated as a percentage of the total value of investments under management as set forth below. In addition to this advisory fee, there may be administrative and servicing fees.

<b>Value of Assets</b>	<b>Annual Fee</b>
\$0 - \$500,000	2.5%
\$500,001-\$1,000,000	2.0%
\$1,000,001-\$3,000,000	1.5%
\$3,000,001-\$10,000,000	1.0%
Over \$10,000,000	0.65%

In some cases, these fees may be negotiated. All fees are specified in each client's Services Agreement.

The asset-based fee includes all fees and charges for services, as applicable, of Compass, third-party managers and all applicable brokerage charges. The fee does not include the following: (a) charges for services provided by Compass, its affiliates or third parties which are outside the scope of this Agreement (e.g., retirement plan administration fees, trustee fees, wire transfer fees, account fees and charges incidental to brokerage and custodial services, etc.); (b)

any taxes for fees imposed by exchanges or regulatory bodies; (c) mark-ups and mark downs charged on principal trades; (d) brokerage commissions and other fees and charges imposed because Compass or a Third-Party Manager chooses to effect securities transactions for the Account with or through a broker-dealer other than the Custodian; (e) sales loads and internal operating expenses on mutual funds, exchange traded funds and variable insurance contracts; (f) commissions on transactions occurring after notice of Agreement termination is given by one party to the other; (g) commissions on transactions ordered by the client; and (h) a \$4.00 per month administrative reporting fee. Each of these additional charges may be separately charged to the Account or reflected in the price paid or received for a given security.

Advisory fees are payable monthly, in advance and are calculated on the basis of the market value of the investments in the account including any balances held in money market funds. The fee for the initial partial month is **waived** entirely. Subsequent fees are charged in advance starting with the first complete month and are based on the market value of the account as of the last day of the most recently completed month. Upon termination of the account, any prepaid advisory fees will **not be refunded**. Fees may be changed by Compass, upon 30-days advance written notice.

Clients should also be aware that certain management service programs require payments for services on a quarterly basis, on the same basis as specified above for monthly fees, except that all fees for partial quarters are prorated.

Mutual funds held in portfolios also incur investment management fees and other internal expenses as described in the prospectus of each fund. Thus, clients pay these internal fund fees in addition to program fees to Compass. Clients should be aware that such funds may be available outside of the Asset Allocation and Portfolio Supervision program at no charge.

Fees payable to Compass are deducted from the client's account when due. Compass will liquidate money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be liquidated. Authorization for the automatic deduction of fees from the account is contained in the Services agreement. The invoice sent to the custodian shows the amount of the fee, the value of the assets on which the fee is based, and the specific manner in which the fee was calculated. The client's periodic portfolio statements from the custodian disclose all amounts disbursed from the account, including advisory and service fees paid. The client may terminate the authorization for automatic deduction of advisory fees payable to Compass at any time by notifying Compass in writing.

Any client services agreement may be terminated by a client without penalty upon delivery of written notice to Compass within five business days after the date of the client's execution of the Client Services Agreement.

## **CONSIDERATIONS**

Compass' "wrap" fees may be more or less than those charged by Compass to another client for similar services, and by other advisers for similar services. Also, Compass' "wrap" fee, i.e., the fee covering both advisory services and transaction commissions, may be more or less than the two fees charged purchasing advisory and transaction brokerage services separately.

The factors that bear upon the cost of services are the size of the account, and whether trades are placed through a brokerage firm other than the custodian resulting in per trade commissions being charged to the account.

In the event that exchange-traded funds or other mutual funds are part of a client's portfolio, the mutual funds charge additional and separate internal fees as described in the fund's prospectus. Thus, when these funds are in a client's account, two advisory fees are imposed: one internally by the fund, the other by Compass.

Because Compass absorbs transaction costs, its Representatives giving advice have a financial incentive not to place transaction orders frequently since doing so increases the transaction costs to Compass and thereby reducing its revenue which the representative shares. Thus, an incentive exists to place trades less frequently.

Not all transaction-related expenses are covered by the "wrap" fee schedule shown above. Mark-ups and mark-downs, certain account charges, commissions and costs for transactions not placed through the custodian and for transactions occurring after termination of Compass' services agreement are not covered. See the "Fees" section above.

Compass, when selecting a third-party manager, will not conduct a broad search for such managers and may only use managers it is familiar with. Therefore, Managers having better or worse performance may not be considered. Compass will provide third-party managers objective and background information about the client at account inception, and thereafter as changes to such information is provided to Compass by a client. Clients may contact the third-party manager directly if they wish to do so.

Compass does not guarantee the results of 1) investment management or consulting advice it gives, including the performance of its investment models, or 2) the advice given and actions taken by third-party managers. Thus, losses can occur by using Compass' services.

## **QUALIFICATIONS**

Representatives giving advice must meet certain minimum education and/or experience requirements. A Representative must have a college degree or be certified as a Certified Financial Planner or be a Certified Public Accountant, and have no less than two years experience in the investment or insurance business.

## **PROFESSIONAL STAFF**

John Gerard Lauer, CFP® – Born 08/19/56. Attended Purdue University, Economics, for 2.5 years. His business activities since 1983 have been 100% insurance/investment related. He holds the following FINRA registrations; Series 6, 7, 24, 51 and 65. Prior to entering the financial business in 1983, John owned a chain of 11 retail health food stores.

Lynn R. Fisel – Born 08/09/51. Bachelor of Science, Business, Ball State University; Accounting, Indiana University, South Bend. Lynn is a Certified Public Accountant. He has passed the FINRA Series 7, 63 and 65 examinations.

David R. Breuer, CFP® – Born 12/26/65. Bachelor of Arts, Economics, Illinois State University, Normal, Illinois. He has passed the FINRA Series 7, 63 and 65 examinations and is a CFP® practitioner.

Bruce A. Patterson – Born 10/02/47. Attended IPFW, Fort Wayne, Indiana. He has passed the FINRA Series 6, 7, 63, 65 and 26 examinations and has attained the CLU and ChFC designations and a MSFS degree. He has been in the financial services industry since 1972 and has always lived and worked in the Fort Wayne area.

Gregory A. Taylor – Born 06/25/57. Bachelor of Science, Telecommunications, Ball State University, Muncie, Indiana. He has passed the FINRA Series 7, 63, and 65 examinations and has completed the CFP professional education program and is matriculating for the exam.

John R. Graves – Born June 16, 1959. John goes by the name “Bob”. He has an MS in Management and Human Resource Management. Bob served in the USAF before joining the Federal Bureau of Investigation, where he retired as a Supervisory Special Agent of the Domestic Terrorism Operation in 1999. He then entered the financial services field and has passed the FINRA Series 4, 6, 7, 24, 26, 52, 63 and 65 exams. He is also a Certified Financial Planner (CFP®), and Master Certified Estate Planner.

Craig A. Blue – Born October 17, 1950. Craig attended Indiana University, South Bend focusing on Marketing. He has worked in the financial services industry for 23 years. He has been a registered representative with a broker-dealer as well as an investment adviser representative and branch manager during that time. He has passed the FINRA Series 7, 8, 63 and 65 exams.

James J. Bobos – Born 05/03/66. Bachelor of Science, Chemistry, Purdue University. He has passed FINRA Series 7 and 66 examinations. He has recently completed the CFP professional education program.

## **AFFILIATIONS/INTEREST IN TRANSACTIONS**

When Compass Representatives make recommendations for the purchase of securities and variable insurance contracts, the transactions are usually processed by Fintegra and the Representatives are entitled to receive customary commissions. Representatives may also be insurance sales persons for certain insurance companies directly. The receipt of commissions in return for investment and insurance product purchases creates a conflict of interest for Representatives when they recommend the products to clients.

Compass clients are free to implement the recommendations they are given by Compass Representatives through any firm they so choose. However, most clients opt to have the Representatives process the recommended transactions for them. In order to provide Investment Management Services, clients are required to use Fintegra and its transaction clearing firm, Pershing, to effect transactions and to maintain custody of account positions.

Representatives of Compass may buy or sell securities for themselves that they also recommend to clients. Where a transaction for a Representative, or an account related to the Representative, is contemplated, a client’s transaction is given priority. Compass has developed



a Code of Ethics applicable to all persons who have access to confidential client records or to recommendations being made for client accounts. Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm's staff, the Code requires such "access persons: to obtain preapproval of certain securities transactions, to report transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities for clients accounts. The Code also establishes certain bookkeeping requirements relating to federal reporting rules. The Code is required to be reviewed annually and updated as necessary. A complete copy of the firm's Code is available upon request.

John G. Lauer and Lynn Fisel, controlling persons of Compass, are also the managing members of Goldstar Private Capital, LLC, the sole manager of Goldstar Private Capital Fund I, LLC ("Goldstar"), a private placement "hedge fund" designed to provide investors in it with current income and long-term capital appreciation by investing in a diversified range of investments throughout the United States. As co-managers, they control the fund and are also entitled to receive a share of the earnings of the organization. Investments in Goldstar will be recommended to clients of Compass. Thus, when such recommendations are made, Compass, Mr. Lauer and Mr. Fisel have a conflict of interest in that they will benefit financially if interests in Goldstar are purchased.

Compass, or Representatives affiliated with Compass, will also periodically be involved with private offerings such as Property 49, LLC, Goldstar Opportunity Fund 2, and Fintegra Holdings, LLC, which Compass Representatives may recommend to clients. A conflict of interest exists if those Representatives recommending the offering are also equity owners of the issuer or have other positions with the issuers. Clients are encouraged to carefully review the private placement memorandums presented to them by Representatives to determine the Representatives' affiliation with and compensation from the issuer or entities related to it.

Representatives of Compass may also own limited liability interests in Fintegra Holdings, LLC, the parent company of Fintegra, LLC. This ownership creates a conflict because the Representatives indirectly benefit from products and services sold through Fintegra since, as indirect owners of Fintegra, they share in profit distributions.

## **CONDITIONS FOR MANAGING ACCOUNTS**

Although Compass does not generally have any conditions for providing its services, Compass Representatives may negotiate a base fee for the wrap services described in this brochure.

## **REVIEWS AND REPORTS**

Reviews of wrap fee accounts are performed regularly by Compass' investment adviser representatives providing management services. Reports, at minimum, are provided by the account custodian at least quarterly.

## **USE OF DISCRETION**

Although it generally does not exercise discretion to select brokerage firms, Compass Representatives typically recommend the transaction and/or custodial services of Fintegra, LLC (“Fintegra”), Pershing, LLC (“Pershing”), Fidelity Brokerage Services, LLC (“Fidelity”), and Charles Schwab & Co., Inc. (“Schwab”).

When providing investment management services, Compass Representatives may exercise discretion when granted such authority by a client. When they do so, they may select the kind of securities to buy and sell, the amount to buy and sell and, often, the commission rates paid without obtaining specific consent from the client for each trade. Clients should be aware that Representatives may make different recommendations with respect to the same types of securities or insurance products to different advisory clients. Commissions and executions for transactions implemented through Fintegra, Pershing, Fidelity, or Schwab may not be better than commissions or executions available if the client used another brokerage firm. However, Compass believes that the overall level of services and support provided to clients by Fintegra, Schwab, and Fidelity outweighs the potentially lower costs, which may be available from other brokerage arrangements.

When exercising discretion, Compass may combine orders for more than one client’s account to form a “block” order for the purpose of seeking a better price and execution. When a block order is executed, the broker/dealer executing the order typically allocates an average execution price to all shares in the block order, which Compass then allocates to each customer’s position within the block on a pro rata basis. Should a block order only be partially filled, available shares are distributed in a manner fair to all accounts.

If a client directs Compass to effect transactions through a particular broker/dealer, including Fintegra, Pershing, Fidelity, or Schwab, Compass will do so. However, such an instruction may have implications to the client. The instruction may cause the client’s account to incur transaction costs and commissions that may be higher/lower than if the instruction had not been given. Also, such a restriction may limit Compass’ ability to bunch the client’s order with those of other clients to process a block order through a single broker/dealer to obtain best price and/or execution. In addition, if Compass is effecting transactions in a security for clients by means of a block order, as well as an order in the same security, for a client who has directed Compass to use a particular broker/dealer, Compass will affect the block order immediately prior to effecting the directed brokerage trade. Thus, clients directing Compass to use a particular broker may not receive the same average price for securities bought or sold that would be received if the order was part of a block order.

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## **RELATIONSHIP WITH SERVICE PROVIDERS**

Compass participates in service programs of Pershing, LLC, (“Pershing”), Fidelity Brokerage Services, Inc. (“Fidelity”) and Charles Schwab & Co., Inc. (“Schwab”) and

recommends these firms (“Service Providers”) to clients for custody and brokerage services. Clients should be aware that there is no direct link between Compass and the Service Providers in connection with the advice Compass gives to clients. Compass receives economic benefits through the custody and operating relationships it has with the Service Providers that are typically not available to the Service Providers’ retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving advisory representative participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees; and discounts or no fees on a compliance, marketing, research, technology, and practice management products or services provided to Compass by third-party vendors. The Service Providers may also pay for business consulting and professional services received by Compass’s affiliated persons and may also pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses) for Compass’s personnel to attend conferences or meetings relating to their service platforms or to their adviser custody and brokerage services generally. Some of these products and services made available by the Service Providers may benefit Compass, but may not benefit its client accounts. Such other services made available by the Service Providers are intended to help Compass manage and further develop its business enterprise, and such services do not depend on the amount of brokerage transactions directed to them.

Clients should be aware that the receipt of the economic benefits described above by Compass from the Service Providers, in and of itself, creates a potential conflict of interest and may indirectly influence Compass’ recommendation of those Service Providers for custody and brokerage services.”

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## **PROXY VOTING**

Compass’ proxy voting policy is to allow clients to make all decisions being addressed in a company’s proxy proposal and submit the votes. Compass does not take independent action to vote any proxy on behalf of clients. In the event a proxy is received by Compass from a company, it will be forwarded to the client for review and action.

## Privacy Policy

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**Preserving trust is a core value. Compass Financial Advisors, LLC (“CFA”) recognizes that clients expect us to protect the information they provide us and to use it responsibly. We are strongly committed to fulfilling the trust that is the foundation of our clients’ expectations. For that reason we have adopted and adhere to the following policy regarding the privacy of client information.**

### Why We Collect And How We Use Information.

When we evaluate your request for our services, provide investment advice to you and place transactions for your account, you typically provide us with certain personal information necessary for us to provide these services. We may also use that information to offer you other services we or an affiliate may provide which may meet your investment needs.

### What Information We Collect.

The information we collect may include: name and address; employer; Social Security number or tax payer identification number; assets; income; account transactions; investment and other financial product positions and balances; investment objectives; accounts at other institutions; transactions at other institutions, including affiliates; the identities of accountants, attorneys and other professionals you engage. Information we receive from third parties, including credit bureaus; and information we obtain to verify your representations to us, such as your identity and assets.

### We Limit How, and With Whom We Share Your Information

We do not sell your personal information to anyone. We may disclose information about you with your consent to our employees, affiliates, representatives and their affiliated businesses. We may disclose information to nonaffiliated third parties when providing services to you. Nonaffiliated third parties may include retirement plan sponsors or third party administrators, mutual fund companies, insurance companies and agencies, third party advisory firms, banks, broker-dealers, transaction clearing firms, accountants, lawyers, securities professionals, companies that assist us with the maintenance of required records, and others to assist us, or them, in providing services to you.

We may also share information with companies that perform services on our behalf, such as the companies that we hire to perform marketing or administrative services. Companies we may hire to provide support services are not allowed to use your personal information for their own purposes. We may also make additional disclosures as permitted by law.

We will also share the information we received from you as required by laws and rules applicable to you, client account service providers, CFA or CFA’s representatives.

If you close your account, in the process of transferring your accounts we may share your information with the new broker-dealer, investment adviser or custodian that you or your CFA representative selects. Your CFA representative may use the personal information about you in

his or her files to provide you with information regarding the new firm, account transfer procedures and documents.

If you prefer that we not share your nonpublic personal information (except in those circumstances described above that are permitted or required by law), you may opt out at any time by notifying us not to share information. To notify us, please call us at 219/476-7100. You will be asked to provide identifying client information at that time, including your Social Security Number.

For accounts that are held jointly by more than one client, any of the account holders may opt out on behalf of the other account holders. Any opt out instructions received from one owner of a joint account will apply also to individual accounts in that person's name, as well as other accounts held jointly by that person, based on the account information we have.

#### How We Protect Information.

Employees and our advisory representatives are required to comply with our established information confidentiality procedures. We also maintain physical, electronic, and procedural safeguards to protect information. For example, our computer systems utilize password protection to prevent access by unauthorized personnel. CFA ensures service providers provide assurances that they will restrict their use of the information provided about you.

#### Access To and Correction of Your Information.

Upon your written request, we will make available your information for review. Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available. If your personal information with us becomes inaccurate, or if you need to make a change to that information, please contact us at the number shown below so we can update our records. Also, if you believe someone has accessed your account without authorization, please contact us as soon as possible.

#### Further Information.

For additional information regarding our privacy policy, or if you have any questions and/or concerns about your account or about our services, please contact us by writing to us at 2803 Boilermaker Court, 1B, Valparaiso, Indiana, 46383.