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Firm Brochure

(Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of COMPASS Wealth Management, LLC (hereinafter referred to as COMPASS). If you have any questions about the contents of this brochure, please contact us at (781) 862-7030 or info@compassinvest.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about COMPASS is also available on the SEC's web site at www.adviserinfo.sec.gov. You may search this site by a firm's unique identifying number, known as a CRD number. Our firm's CRD number is 130693.

February 14, 2012

Item 2 Material Changes

The SEC issued new regulations in July 2010 that require advisors to provide a Firm Brochure in a narrative, "plain English" format. These new regulations specify mandatory sections and organization.

This Firm Brochure, dated February 14, 2012, is our disclosure document, also known as Form ADV Part 2, prepared according to the SEC's new requirements. Our previous disclosure document was dated March 30, 2011.

Item 2 is used to provide our clients with a summary of new and/or updated information. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our firm's fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

The only material change to this Firm Brochure from our previous Firm Brochure is more detailed information on our institutional investment management services and fees.

Whenever you would like to receive a complete copy of our Firm Brochure free of charge, please contact COMPASS by telephone at (781) 862-7030 or via e-mail at info@compassinvest.com.

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Item 4 Advisory Business

COMPASS Wealth Management, LLC is a registered investment advisor with its principal place of business located in Massachusetts. COMPASS Wealth Management, LLC was established in 2000 under the name COMPASS Investment Advisors, LLC. In 2007, we changed our name to COMPASS Wealth Management, LLC, concurrent with our move to Lexington, Massachusetts, to better reflect our suite of wealth advisory services. Louis E. Conrad II, CFA, is the founder, president, and sole owner of COMPASS. There are no intermediate subsidiaries. As of December 31, 2011, COMPASS actively managed \$33,407,363 of clients' assets on a discretionary basis. In addition, \$2,945,673 of clients' assets was supervised on a non-discretionary basis, but only \$575,868 of this amount receives continuous and regular supervision as defined by regulatory authorities.

COMPASS provides wealth management services on a fee-only basis to individuals and their families, as well as investment management and consulting and advisory services to institutions.

INDIVIDUAL AND FAMILY SERVICES

COMPASS strongly believes that the key to a client's long-term financial success is establishing a relationship of trust and ongoing dialogue with their wealth manager. COMPASS offers the following two programs to individuals and families:

WEALTH MANAGEMENT SOLUTIONS

Wealth Management Solutions, formerly known as Financial Advisory Service, is designed to meet the ongoing investment advisory and financial planning needs of clients. Based upon information supplied by and conversations with the client, COMPASS identifies and defines a client's personal goals and long-term financial needs, investment time horizon, risk tolerance and capacity, tax considerations, and liquidity needs. Financial planning issues that arise from this process are addressed accordingly, including retirement planning, education funding, gift planning, stock option planning, employment benefits, budgeting, and related financial planning issues, as well as strategies to pursue with other professionals, such as tax and estate planning, insurance, and business succession planning.

COMPASS then designs and recommends a customized and diversified investment strategy, as immortalized in an investment policy statement, that balances a client's objectives with their risk tolerance and other factors. *Wealth Management Solutions* addresses a client's ongoing wealth management needs, including adjustments to the recommended strategy in response to changing circumstances. For example, as the factors incorporated into a client's investment policy statement change, the recommended structure of their portfolio will also adjust.

As part of *Wealth Management Solutions*, a client's investment assets are managed on a discretionary and/or non-discretionary basis, depending on the client's circumstances. The investment vehicles of choice are normally no-load (non-commission), open-end mutual funds and exchange-traded funds. For clients with investment assets in excess of \$5 million, separate accounts comprised of individual securities may be used, managed by third parties or COMPASS.

Consequently, open-end mutual funds, exchange-traded funds, and individual securities, such as exchange-listed and over-the-counter securities, including those of domestic and foreign issuers, and corporate, municipal, and government debt securities are the primary investment vehicles recommended and implemented within client portfolios. However, to a more limited extent, certificates of deposit, commercial paper, warrants, insurance

products such as variable annuities and life insurance, options contracts on securities and commodities, futures contracts on tangibles and intangibles, and partnership interests in real estate, oil and gas, or other alternative investments, such as venture capital and hedge funds, may also be recommended and implemented within client portfolios. Since some types of investments involve certain additional degrees of risk, they will only be recommended and implemented in a client's portfolio when consistent with their stated investment objectives, risk tolerance, liquidity, suitability, and any other factors. Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

Clients, in consultation and agreement with COMPASS and any third-party money manager, may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors with the understanding that such client restrictions may limit a portfolio's diversification and/or alter its risk/return profile.

For clients who engage COMPASS with individual securities already held in their portfolio, COMPASS will ascertain the tax ramifications of adjusting these positions if they are held in a taxable account. The tax consequences of our recommendations in such situations are shared with clients prior to their implementation.

CONSULTING SERVICE

COMPASS may, at its sole discretion, also provide non-discretionary investment advisory and/or financial planning services through a one-time or project basis.

INSTITUTIONAL SERVICES

The services that COMPASS provides to institutions can be divided into two general areas: (1) discretionary management of an institution's investment assets, including assets held by small businesses, corporations, non-profits, and charitable organizations, such as foundations and endowments, as well as pension and profit sharing plans, managed in a manner consistent with the *Wealth Management Solutions* program for individuals and families (see above); and (2) advisory services offered to these organizations as sponsors of retirement plans for their employees.

INSTITUTIONAL INVESTMENT MANAGEMENT

In consultation with your investment committee or other responsible party, COMPASS designs an appropriate asset allocation strategy for your portfolio based on several factors, including its purpose, projected cash flows, investment time horizon, and the organization's risk tolerance for its investments. Once an asset allocation strategy is determined, COMPASS recommends a diversification mix to help manage the portfolio's risk level.

The agreed to asset allocation and diversification structure is then immortalized in an investment policy statement, which outlines the responsible parties, performance objectives, risk parameters, and other factors. Then COMPASS takes responsibility for the discretionary management of the portfolio, managed consistent with the investment policy statement. We schedule regular meetings with your organization to review the portfolio's performance, structure, and other metrics.

COMPASS accepts management of existing portfolios of individual securities, but normally will purchase no-load (non-commission), open-end mutual funds and exchange-traded funds when investing cash. We have access to institutional shares of open-end mutual funds, which offer meaningfully lower expenses than have been available historically. For clients with investment assets in excess of \$5 million, separate accounts comprised of individual securities may be used, managed by third parties or COMPASS. Consequently, open-end mutual funds, exchange-traded funds, and individual securities, such as exchange-listed and over-the-counter securities, including those of domestic and foreign issuers, and corporate, municipal, and

government debt securities are the primary investment vehicles recommended and implemented within client portfolios. However, to a more limited extent, certificates of deposit, commercial paper, warrants, options contracts on securities and commodities, futures contracts on tangibles and intangibles, and partnership interests in real estate, oil and gas, or other alternative investments, such as venture capital and hedge funds, may also be recommended and implemented within client portfolios. Since some types of investments involve certain additional degrees of risk, they will only be recommended and implemented in a client's portfolio when consistent with their stated investment objectives, risk tolerance, liquidity, suitability, and any other factors. Our investment recommendations are not limited to any specific product or service offered by a financial services firm.

Clients, in consultation and agreement with COMPASS and any third-party money manager, may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors with the understanding that such client restrictions may limit a portfolio's diversification and/or alter its risk/return profile.

For clients who engage COMPASS with individual securities already held in their portfolio, COMPASS will ascertain the tax ramifications of adjusting these positions if they are held in a taxable account. The tax consequences of our recommendations in such situations are shared with clients prior to their implementation.

RETIREMENT PLANS/PLAN SPONSOR SERVICES

COMPASS understands the need for employers to offer a competitive benefit package to its employees, including retirement plan(s), which are cost-effective, yet do not overly burden the employer with administrative requirements. The basic tenets of COMPASS' investment consulting service is that it acts as a co-fiduciary, provides objective and independent advice, and offers a flexible, customized approach to meet the plan sponsor's needs.

COMPASS oversees 401(k), 403(b), and 457(b) plans, as well as defined benefit plans, profit sharing and money purchase plans, non-qualified deferred compensation plans, and employee stock ownership plans.

COMPASS offers the following two programs to plan sponsors:

Fiduciary Advisory Service

The *Fiduciary Advisory Service* is COMPASS' program to meet the varied needs of retirement plan sponsors. The service is client-focused--COMPASS listens to and consults with the client to assist in making the choices that are best-suited to the client's organization. COMPASS' core services aid in meeting a plan sponsor's fiduciary obligation and may include service provider analysis and request for proposals, investment policy statement creation and evaluation, investment selection and performance monitoring, and for defined benefit plans, asset allocation and diversification strategies.

For the benefit of a client's employees, COMPASS also may provide additional services, such as educational seminars on topics ranging from investments, retirement planning, and education funding, enrollment meetings, and non-discretionary investment advice for plan participants.

Consulting Service

COMPASS may, at its sole discretion, also perform a one-time or special consulting project.

Item 5 Fees and Compensation

COMPASS receives its compensation solely from fees paid directly by our clients. We do not receive commission-based compensation from a client's purchase or sale of any financial product. No commissions of any kind are accepted and no referral fees are paid or accepted. As such, COMPASS is a fee-only provider of wealth management services. In addition, no benefits are received from any broker-dealer(s) and custodian(s) based on client securities transactions (also known as "soft dollar benefits").

The fees COMPASS charges vary based on the service provided.

INDIVIDUAL AND FAMILY SERVICES

WEALTH MANAGEMENT SOLUTIONS

The following annual fee schedule applies to clients in *Wealth Management Solutions*:

<u>Supervised Assets</u>	<u>Annual Fee</u>
First \$1,000,000	1.00% of assets
Next \$2,000,000	0.75% of assets
Next \$2,000,000	0.50% of assets
Over \$5,000,000	0.30% of assets

Fees are billed quarterly in arrears based upon the supervised assets on the last trading day of the calendar quarter. Supervised assets may include non-discretionary assets, such as 401(k), 403(b), and 457(b) assets, which COMPASS oversees, but may not maintain discretion over. Fees are normally deducted directly from a client's discretionary account(s), though they may instead be billed to the client. In either case, clients may select the payment option they prefer. These fees are normally not negotiable. The fee schedule above is normally subject to a \$2,500 minimum annual fee; however, those who became clients prior to March 27, 2007 are subject to a different minimum annual fee as outlined in their respective contracts. In addition, those who became clients prior to March 20, 2009 are subject to a different fee schedule as outlined in their respective contracts.

The fee for *Wealth Management Solutions* is independent of, and in addition to, any fees and expenses charged by mutual fund companies, the broker-dealer with whom transactions are placed, the custodian with whom the assets are held, or third-party investment management firms (please see "General Fee Information" later in Item 5, as well as Item 12, Brokerage Practices for more details). COMPASS does not receive compensation from investment managers for any such recommendations nor does it receive compensation from the broker-dealer(s) and custodian(s). At a client's request, COMPASS will outline any fees and expenses charged by the broker-dealer(s), custodian(s), and third-party investment management firms.

COMPASS or the client may terminate the wealth management contract upon 30 days written notice. In the event of termination, the client will be charged for the wealth management fee due on a pro rata basis through the 30-day notice period, while the level of supervised assets will be determined as of the date the termination was received. For those who become a client after March 19, 2009, if they terminate the contract within the first year they will be subject to the \$2,500 minimum annual fee if it is greater than the wealth management fee they have paid.

COMPASS reserves the right to charge interest on any client invoice where payment is not received within 30

days of the invoice date. Interest will be charged at a rate of 18% per year (1.5% per month) or the maximum allowed by law, but no greater than 18% per year. Further, COMPASS reserves the right to terminate the wealth management contract of a client who, in COMPASS' judgment, has willfully concealed or refused to provide pertinent information when necessary and appropriate to providing proper financial advice.

CONSULTING SERVICE

When consulting services are provided, a client will normally be charged \$300 per hour for research, preparation, and meeting time, normally subject to a \$3,000 minimum. COMPASS, upon agreement with a client, may alternatively charge a fixed fee for these services. Clients will be billed for services provided either monthly or upon completion of the assignment, depending upon the arrangements made between COMPASS and the client. COMPASS or the client may terminate their agreement at any time, but the client will be responsible for payment of services provided prior to termination. Fees for consulting services are normally not negotiable.

INSTITUTIONAL SERVICES

INSTITUTIONAL INVESTMENT MANAGEMENT

For the discretionary management of an institution's investment assets, the following annual fee schedule applies:

<u>Supervised Assets</u>	<u>Annual Fee</u>
First \$1,000,000	1.00% of assets
Next \$2,000,000	0.75% of assets
Next \$2,000,000	0.50% of assets
Over \$5,000,000	0.30% of assets

Fees are billed quarterly in arrears based upon the supervised assets on the last trading day of the calendar quarter. Fees are normally deducted directly from a client's discretionary account(s), though they may instead be billed to the client. In either case, clients may select the payment option they prefer. These fees are normally not negotiable. The fee schedule above is normally subject to a \$2,500 minimum annual fee; however, those who became clients prior to March 27, 2007 are subject to a different minimum annual fee as outlined in their respective contracts. In addition, those who became clients prior to March 20, 2009 are subject to a different fee schedule as outlined in their respective contracts.

The fee for institutional investment management is independent of, and in addition to, any fees and expenses charged by mutual fund companies, the broker-dealer with whom transactions are placed, the custodian with whom the assets are held, or third-party investment management firms (please see "General Fee Information" later in Item 5, as well as Item 12, Brokerage Practices for more details). COMPASS does not receive compensation from investment managers for any such recommendations nor does it receive compensation from the broker-dealer(s) and custodian(s). At a client's request, COMPASS will outline any fees and expenses charged by the broker-dealer(s), custodian(s), and third-party investment management firms.

COMPASS or the client may terminate the institutional investment management contract upon 30 days written notice. In the event of termination, the client will be charged for the institutional investment management fee due on a pro rata basis through the 30-day notice period, while the level of supervised assets will be determined as of the date the termination was received. For those who become a client after March 19, 2009, if they terminate the contract within the first year they will be subject to the \$2,500 minimum annual fee if it is greater than the institutional investment management fee they have paid.

COMPASS reserves the right to charge interest on any client invoice where payment is not received within 30 days of the invoice date. Interest will be charged at a rate of 18% per year (1.5% per month) or the maximum allowed by law, but no greater than 18% per year. Further, COMPASS reserves the right to terminate the institutional investment management contract of a client who, in COMPASS' judgment, has willfully concealed or refused to provide pertinent information when necessary and appropriate to providing proper financial advice.

RETIREMENT PLANS/PLAN SPONSOR SERVICES

Fiduciary Advisory Service

The following annual fee schedule applies to COMPASS' core *Fiduciary Advisory Service*:

<u>Plan Assets</u>	<u>Annual Fee</u>
First \$20,000,000	0.25% of assets
Over \$20,000,000	Negotiable

Fees are billed quarterly in arrears based upon the plan assets on the last trading day of the calendar quarter. All of the client's plan assets that are overseen by COMPASS are aggregated for fee calculation purposes. These fees are not normally negotiable unless the plan assets exceed \$20 million. The fee schedule above is normally subject to a \$5,000 minimum annual fee requirement. Alternatively, COMPASS may negotiate a different fee for its core *Fiduciary Advisory Service*.

When COMPASS provides additional services for the benefit of a client's employees, the fee for these additional services is negotiated based upon the requirements of the assignment, including the amount of travel and the number of employer sites and meetings.

COMPASS or the client may terminate the fiduciary advisory contract upon 30 days written notice. In the event of termination of COMPASS' core *Fiduciary Advisory Service*, the client will be charged for the fiduciary advisory fee due on a pro rata basis through the 30-day notice period, while the level of plan assets will be determined as of the date the termination was received. In the event of termination of COMPASS' noncore services targeted to the client's employees, the client will be charged the fee indicated in the fiduciary advisory contract.

Consulting Service

When consulting services are provided, a client will be charged \$300 per hour or a fixed fee depending on the assignment's requirements, normally subject to a \$3,000 minimum fee. Clients will be billed for services provided either monthly or upon completion of the assignment, depending upon the arrangements made between COMPASS and the client. COMPASS or the client may terminate their agreement at any time, but the client will be responsible for payment of services provided prior to termination. Fees for consulting services are normally not negotiable.

GENERAL FEE INFORMATION

Mutual Fund Fees

All fees paid to COMPASS for *Wealth Management Solutions* and institutional investment management are separate and distinct from the fees and expenses charged by open-end mutual funds and exchange-traded funds. These fees and expenses are described in each fund's prospectus and will generally include a management fee,

other fund expenses, and possibly a distribution fee.

COMPASS normally selects no-load (non-commission) or load-waived open-end mutual funds for clients. Load-waived funds are those funds where a client would pay a commission if transacted through a broker; however, our clients may transact such funds without paying a commission. If COMPASS were to transact in an open-end mutual fund that was load-based, but where the load was not waived, the client would be subject to an initial or deferred sales charge. However, it is not COMPASS' practice to transact in such funds.

Separately Managed Account Fees

Clients participating in a separately managed account program may be charged various program fees in addition to the *Wealth Management Solutions* or institutional investment management fee charged by COMPASS. Such fees may include the investment advisory fees of the third-party investment managers, as well as transaction fees imposed by the broker-dealer(s) to purchase or sell individual securities (see also "Broker-Dealer and Custodial Fees" immediately below). We review with clients any separate program fees that may be charged.

Broker-Dealer and Custodial Fees

Clients are also responsible for the fees and expenses charged by the broker-dealer(s) and custodian(s). These fees are usually either transaction- or account-related.

Two different types of transaction-related fees can be incurred with open-end mutual funds. Our clients often have access to institutional shares of open-end mutual funds that offer meaningfully lower expense ratios (generally a savings of 0.25% or more). To transact in such institutional or similar lower cost shares, the custodian(s) will charge our clients a transaction fee. The transaction fee is usually immaterial to the dollar value of the transaction, while the client benefits from lower ongoing mutual fund expenses. A second type of fee that can be imposed by the broker-dealer(s) is a short-term trading fee, which is the result of purchasing and then selling an open-end mutual fund within a short period of time (usually within 30, 60, 90, or 120 days, depending on the mutual fund's prospectus or the broker-dealer's trading policies). This fee, when imposed, typically ranges from 0.50% - 2.00% of the trade's dollar value.

In addition to the transaction fees that may be imposed on the purchase and/or sale of open-end mutual funds, the broker-dealer(s) will also charge other transaction-related fees for the purchase or sale of exchange-traded funds, stocks, and bonds. These fees are normally relatively small and incidental given the transaction sizes involved. When transacting in some bonds a transaction fee may not be incurred; however, the price a purchaser may pay or a seller may receive will be adjusted to reflect an inherent transaction cost.

The custodian(s) may also impose account-related fees, such as (1) account maintenance, (2) account closure, (3) bank wire, and (4) overnight delivery and other fees depending on the service needs of a client.

Please also refer to Item 12, Brokerage Practices for additional information.

ERISA Accounts

COMPASS is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act (ERISA) and regulations under the Internal Revenue Code of 1986 (the IRC), respectively. As such, COMPASS is subject to specific duties and obligations under ERISA and the IRC that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, COMPASS may only charge fees for investment advice about products for which it and/or its related persons do not receive any commissions or 12b-1 fees.

Limited Prepayment of Fees

Under no circumstances does COMPASS require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

Item 6 Performance-Based Fees and Side-By-Side Management

COMPASS does not charge performance-based fees. Such fees have the potential to create a conflict of interest by providing an incentive for the advisor to recommend an investment that may carry a higher degree of risk for the client. COMPASS' primary revenue source, asset-based fees, allows it to participate in the growth of a client's wealth. Conversely, should a client's portfolio decline in value, so will COMPASS' fee.

Item 7 Types of Clients

As part of COMPASS' individual and family services segment, it provides advisory services to individuals, including those who are defined as high-net-worth individuals by the SEC, families, trusts, and estates. Under the institutional segment, COMPASS provides advisory services to small businesses, corporations, non-profits, and charitable organizations, such as foundations and endowments, as well as pension and profit sharing plans.

As previously disclosed in Item 5, COMPASS has certain annual minimum fee requirements based on the nature of the service(s) being provided. For a more detailed description of those requirements, please review the disclosures provided for each applicable service.

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

Investment Strategies

The primary investment strategy implemented by COMPASS for its clients is commonly referred to as strategic asset allocation. As described in Item 4, Advisory Business, an investment policy statement (IPS) is crafted for each *Wealth Management Solutions* and institutional investment management client. For a *Wealth Management Solutions* client, an IPS outlines the recommended structure a client's portfolio should follow given their goals and objectives, investment time horizon, risk tolerance and capacity, tax considerations, liquidity needs, and other factors. An IPS for an institutional investment management client is similar in many respects to an IPS prepared for a *Wealth Management Solutions* client, except that it outlines factors such as the responsible parties, performance objectives, and risk parameters.

The recommended structure includes both asset allocation, as well as diversification guidelines. Once established, this structure will be adjusted over time for a *Wealth Management Solutions* client as their circumstances change. These changes are considered to be client-specific.

In addition to client-specific adjustments, the positioning of a client's portfolio may be altered, within the

confines of their investment policy statement and any subsequent amendments, to reflect current or anticipated economic and/or capital market trends. Such adjustments may be recommended to improve return prospects, reduce risk, or a combination of both. These adjustments are considered to be long-term (i.e., strategic) in nature, not tactical, short-term trades.

Methods of Analysis

The judgments involved in making such strategic adjustments are based on fundamental analysis and the experience of COMPASS' professional personnel, supplemented by information and research from a variety of sources, including Wall Street and mutual fund companies, independent data providers, industry periodicals and publications, and filings with the SEC.

The specific investments that comprise a client's investment strategy also receive careful attention. COMPASS benefits from the expertise of its founder and president, Louis E. Conrad II, CFA, who previously managed a mutual fund and was director of Fidelity Investments' Fund Analysis and Research Group. When evaluating the prospects for a mutual fund or a separately managed account and whether it should be implemented in client portfolios, COMPASS examines numerous factors, including the following: (1) tenure of the portfolio manager or management team, (2) risk-adjusted performance, (3) style consistency, (4) return consistency, (5) tax-adjusted returns, (6) expense ratio, (7) diversification of holdings and sector representation, (8) asset class focus, and (9) asset growth and level. COMPASS regularly visits with mutual fund representatives and portfolio managers, as well as participates in conference calls and webinars, and attends conferences sponsored by mutual fund complexes, separate account companies, and independent information providers to keep current on developments in the mutual fund and separately managed account industry.

For exchange-traded funds, COMPASS evaluates the sponsor, the costs, and the approach of each fund under review, among other factors. For individual security analysis, COMPASS pursues a fundamental analytical approach that attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if a company's security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be an appropriate time to sell).

Risk of Loss

As deliberate as COMPASS' approach may be to investing, it cannot fully mitigate the risks involved in investing, including the risk of loss. COMPASS endeavors to manage the risk profile of portfolios in its pursuit of generating returns for clients. Yet, a strategic asset allocation approach still exposes client portfolios to the vagaries of the capital markets. Further, our assessment of an appropriate asset allocation and diversification strategy for a client could ultimately prove inaccurate. This could subject a client's portfolio to more or less return and/or risk than the client needed or was comfortable assuming. In addition, fundamental analysis does not attempt to anticipate market movements, but only the estimated value of a company's security relative to its market price.

Open-end mutual funds, exchange-traded funds, and separate account managers each have risks. A basic risk is that past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, since COMPASS does not control the underlying investments with these managers, managers of different funds or separate accounts held by the client may purchase the same security, increasing the risk to the client if that security were to decline in value. There is also a risk that a manager may deviate from their stated investment mandate or strategy, resulting in a less diversified or appropriate portfolio. Moreover, as COMPASS does not control the manager's daily business and compliance operations, we may be unaware of a deficiency of internal controls necessary to prevent business, regulatory, or reputational lapses.

COMPASS' analytical methods rely on the assumption that mutual fund and publicly held companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Item 9 Disciplinary Information

COMPASS and its employees have not been involved in any legal or disciplinary events related to past or present activities.

Item 10 Other Financial Industry Activities and Affiliations

Occasionally conflicts of interest may arise from relationships or arrangements with other firms or individuals, such as with investment companies, accounting and law firms, insurance companies and agencies, and the like. COMPASS and its principal(s) do not have any such relationships or arrangements. Thus, COMPASS and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

COMPASS has adopted a Code of Ethics (the Code) which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. COMPASS and our personnel owe a duty of loyalty, fairness, and good faith toward our clients, and have an obligation to adhere not only to the specific provisions of the Code, but to the general principles that guide the Code.

The Code includes policies and procedures for the review of quarterly securities transactions reports, as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, the Code requires the prior written approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The Code also provides for oversight, enforcement, and recordkeeping provisions.

The Code further includes the firm's policy prohibiting the use of material nonpublic information. While COMPASS does not believe that it has any particular access to nonpublic information, all employees are reminded that such information may not be used in a personal or professional capacity.

The Code is designed to ensure that the personal securities transactions, activities, and interests of our employees will not interfere with (1) making decisions in the best interest of our advisory clients and (2) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

COMPASS and its employees are aware of the potential conflicts of interest between it and its clients in connection with the purchase and sale of securities. Normally, COMPASS and its employees do not advise clients on the purchase of individual securities, but may occasionally recommend the disposition of currently held positions. When an employee of COMPASS wishes to transact in an individual security, no transaction may take place ahead of that for a COMPASS client. In instances where COMPASS is trading in a reportable security on behalf of a client, COMPASS' employees are barred from trading in that particular security for two full trading days subsequent to the last day of trading on behalf of the client. Participation in an automatic investment or dividend reinvestment plan is exempted from this restriction. Each employee is required to file a securities transaction report with COMPASS within 10 days of the end of each calendar quarter in order to verify compliance with the firm's trading policy.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing the Code to ensure our firm complies with its regulatory obligations and provides our clients and prospective clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior written approval for any initial public offering or private placement investments by related persons of the firm.
5. We have established procedures for the maintenance of all required books and records.
6. All of our principals and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
7. We require delivery and acknowledgement of the Code by each supervised person of our firm.
8. We have established policies requiring the reporting of Code violations to our senior management.
9. Any individual who violates any of the above restrictions may be subject to termination.

A copy of the Code is available to COMPASS' clients and prospective clients by contacting us at (781) 862-7030 or info@compassinvest.com.

Item 12 Brokerage Practices

COMPASS does not act as the custodian for its clients' investment assets. For clients for whom COMPASS manages assets in discretionary accounts, COMPASS has enlisted the services of Fidelity Investments and its

affiliated companies, Fidelity Institutional Wealth Services, Fidelity Brokerage Services, and/or National Financial Services (collectively known as Fidelity) in the provision of custody, trade execution, clearance, and settlement of client transactions. COMPASS is independent of and unaffiliated with these companies. COMPASS receives some benefits for its use of the services provided by Fidelity Investments and its affiliated companies. Clients of COMPASS do not pay higher fees, transaction costs, commissions, or similar expenses as a result of the services provided by Fidelity Investments and its affiliates to COMPASS. COMPASS also does not receive any fees, commissions, or client referrals from Fidelity. Further, Fidelity's fees and commissions are considered to be competitive based upon an initial survey conducted by COMPASS and subsequent reviews of broker-dealer pricing. COMPASS evaluates broker-dealers on the basis of their proven integrity and financial responsibility, quality and breadth of their service offering, trading capability, and commission rates.

Although COMPASS receives economic benefits from Fidelity, there is no direct link between COMPASS' use of Fidelity's services and the financial advice COMPASS provides to its clients. The economic benefits that COMPASS receives from Fidelity include access to an electronic communications network for client order entry and account information; access to an institutional trading desk; access to mutual funds and institutional money managers; receipt of duplicate client statements and trade confirmations; the ability to have advisory fees deducted directly from client accounts; research-related products and tools; consulting services; and discounts on compliance, marketing, research, technology, and practice management products and services provided by third party vendors. The benefits that COMPASS receives do not depend on the amount of brokerage transactions directed to Fidelity Investments and its affiliates.

As part of COMPASS' fiduciary duty to clients, COMPASS endeavors to place the interests of its clients first at all times. Clients should be aware, however, that the receipt of economic benefits by COMPASS in and of itself creates a potential conflict of interest.

COMPASS, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products, and other services obtained from a broker-dealer or third parties on a soft dollar commission basis.

Since COMPASS' transactions are primarily in open-end mutual funds, we as a matter of practice do not execute block trades. However, if more than one account was to trade a particular stock or exchange-traded fund on the same day, block trading may be used when a benefit would accrue to the accounts involved, such as better execution, lower execution costs, or identical pricing.

Item 13 Review of Accounts

The type and frequency of account reviews conducted by COMPASS depends upon whether the client has engaged COMPASS as an individual or family, or as an institution.

INDIVIDUAL AND FAMILY SERVICES

WEALTH MANAGEMENT SOLUTIONS

The investment accounts of clients who are part of *Wealth Management Solutions* receive ongoing monitoring and evaluation by a principal of COMPASS. All clients of *Wealth Management Solutions* are encouraged to meet with a COMPASS principal on an annual basis, though more frequent meetings are encouraged depending upon a client's needs and asset base.

Certain events will also trigger review of an account, including a decision to add or eliminate a particular investment, to offset gains with losses for tax purposes, to raise cash for distribution to a client at their request, to invest new cash contributions, and to rebalance a portfolio's asset mix based upon a client's investment objectives or financial circumstances. Consequently, it is imperative that the client inform COMPASS of changing circumstances. Regular meetings between COMPASS and the client encourage and assist in this process.

Depending on the purpose of a meeting, an investment summary report, retirement planning analysis, or other material, including written material, are often prepared for each formal client meeting. Clients with discretionary account(s) also receive monthly investment statements, as well as confirmations of transactions performed on their behalf from the custodian(s) and/or broker-dealer(s).

CONSULTING SERVICE

It should be noted that Consulting Service clients do not receive ongoing monitoring and evaluation of their investment accounts and, consequently, do not receive regularly scheduled reviews. Consulting Service clients may receive, as part of the agreed to consulting assignment, a report reviewing recommendations that require their implementation. Any meeting that is held as part of the assignment is conducted by a COMPASS principal.

INSTITUTIONAL SERVICES

The type and frequency of reviews conducted by COMPASS are dependent upon the engagement entered into with the institutional client.

INSTITUTIONAL INVESTMENT MANAGEMENT

For institutional clients for whom COMPASS manages discretionary assets, they receive ongoing monitoring and evaluation by a principal of COMPASS. All such clients are encouraged to meet with a COMPASS principal on an annual basis, though more frequent meetings are encouraged depending upon a client's needs and asset base.

Depending on the purpose of a meeting, an investment summary report or other material, including written material, are often prepared for each formal client meeting. Clients also receive monthly investment statements, as well as confirmations of transactions performed on their behalf from the custodian(s) and/or broker-dealer(s).

RETIREMENT PLANS/PLAN SPONSOR SERVICES

Fiduciary Advisory Service

For *Fiduciary Advisory Service* clients, the type and frequency of reviews are based on the needs of each retirement plan sponsor to meet its fiduciary requirements; however, all *Fiduciary Advisory Service* clients are encouraged to meet with a COMPASS principal on at least an annual basis. A COMPASS principal documents each meeting on behalf of the plan sponsor and may prepare various materials, including written materials, for review at meetings.

Reviews may include an evaluation of a plan's investment offering, including adequacy of the existing line up and compliance with investment policy statement guidelines. In addition, COMPASS may provide new investment options for review by the client on which COMPASS has performed detailed due diligence.

Consulting Service

It should be noted that Consulting Service clients do not receive ongoing monitoring and evaluation of their investment offering and, consequently, do not receive regularly scheduled reviews. Consulting Service clients may receive, as part of the agreed to consulting assignment, a report reviewing recommendations that require their implementation. Any meeting that is held as part of the assignment is conducted by a COMPASS principal.

Item 14 Client Referrals and Other Compensation

COMPASS has been fortunate to receive many client referrals since its founding. However, to avoid potential conflicts of interest, COMPASS does not compensate anyone for referring potential clients and we do not engage solicitors.

COMPASS may recommend other professionals, including attorneys, accountants, tax preparers, insurance agents, real estate agents, and mortgage brokers, for the benefit of a client. Ultimately, these other professionals are engaged directly by the client on an as-needed basis even when recommended by COMPASS. In no case does COMPASS or its employees receive any compensation for these referrals to outside professionals. These professionals may refer prospective clients to COMPASS, which has the potential for causing a conflict of interest. However, COMPASS' focus is to ensure that a client's needs are well met, not whether we might receive reciprocal referrals.

Item 15 Custody

As indicated in Item 12, Brokerage Practices, COMPASS does not act as the custodian for its clients' investment assets. The applicable custodian provides account statements to each client at their address of record (or electronically, if elected by the client) at least quarterly. These statements may be supplemented by information supplied by COMPASS, such as asset allocation and performance reports. Clients are encouraged to review their custodial statements to confirm that they accurately reflect their accounts, as well as compare COMPASS-generated reports to their custodial statements for the same time period.

COMPASS previously disclosed in Item 5, Fees and Compensation, that we debit our advisory fees directly from clients' discretionary accounts when authorized by the client. In such situations, the client's custodian is advised of the amount of the fee to be deducted from the client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. As a matter of practice, Fidelity, the custodian that COMPASS has engaged for discretionary accounts, provides clients with monthly statements.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Item 16 Investment Discretion

Clients who participate in *Wealth Management Solutions* or institutions for whom we manage investment assets grant COMPASS a limited power of attorney. Consequently, they authorize COMPASS to determine, without obtaining the client's prior approval, which securities and the amount of securities to be purchased or sold, as well as the broker-dealer to be used and any transaction and/or commission rates paid. Aside from institutional clients, such authority applies only to discretionary accounts within *Wealth Management Solutions*, unless the client has provided COMPASS with access to make discretionary trades in their employer-sponsored retirement or other accounts and is consistent with regulations in force for registered investment advisors at the time.

Even when discretionary authority or a limited power of attorney has been established, COMPASS will normally, as a matter of practice, inform affected clients of the transactions recommended in advance of the transactions occurring. This notification may be via letter, e-mail, telephone, or as part of an in-person review.

COMPASS obtains discretionary authority in two ways: (1) in its contract with clients (when stipulated) and (2) in the custodian's account application. Clients may limit or amend this authority by providing COMPASS with written instructions.

Separate account managers have full discretion over trades and do not consult with COMPASS or with its clients before placing trades.

Item 17 Voting Client Securities

COMPASS does not have proxy voting authority on behalf of its clients and, consequently, clients retain such voting authority. Clients receive their proxies directly from Fidelity for the accounts COMPASS has discretion over. COMPASS is available to consult with clients who seek our advice and/or opinion of how to vote on the measures before them.

Item 18 Financial Information

COMPASS does not have any financial impairment that would preclude the firm from meeting its contractual commitments to clients. A balance sheet is not required to be provided because COMPASS does not serve as a custodian and, as disclosed under Item 5, Fees and Compensation, under no circumstances does COMPASS require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered. COMPASS also has not been the subject of a bankruptcy petition at any time since its founding.