

# **Compass Ion Advisors, LLC**

## **Form ADV Part 2A**

### **Investment Advisor Brochure**

**August 2013**

This brochure provides information about the qualifications and business practices of Compass Ion Advisors, LLC. If you have any questions about the contents of this brochure, please contact Compass Ion Advisors, LLC at 610.228.2200 or [DMacGray@compass-ionadvisors.com](mailto:DMacGray@compass-ionadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Compass Ion Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The Firm's CRD number is 166418.

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## Item 2: Material Changes

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### Annual Update

In this Item, Compass Ion Advisors, LLC's (Compass Ion or the Firm) is required to discuss any material changes which have been made to the brochure since the last annual amendment. Since this is the Firm's initial Disclosure Brochure (ADV), there are no material changes to report.

In the future, this Item will discuss only specific material changes that are made to The Firm ADV and provide clients with a summary of such changes. Compass Ion will also reference the date of the Firm's last annual update of the Firm's brochure.

You will receive a summary of any material changes to Compass Ion's brochure within 120 days of the Firm's fiscal year end. The Firm may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of the last annual update of the ADV.

The Supplement to the Investment Adviser Brochure of Compass Ion provides you with information regarding certain Supervised Persons of Compass Ion that make discretionary investment decisions or provide investment advisory services for investment advisory clients of Compass Ion.

### Full Brochure Available

Compass Ion will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, Compass Ion's Brochure may be requested by contacting Douglas R. MacGray, Principal, Senior Vice President Financial Planning and Chief Compliance Officer, at 610.228.2200 or [DMacGray@compass-ionadvisors.com](mailto:DMacGray@compass-ionadvisors.com).

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

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## Item 4: Advisory Business

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Compass Ion Advisors, LLC is a registered investment adviser with its principal place of business located in Pennsylvania. Compass Ion Advisors, LLC began conducting business in 2008.

The firm's primary shareholders include James C. Baird, Matthew D. Kane, George J. Limbach, and Douglas R. MacGray.

Compass Ion offers the following advisory services to clients:

### **FINANCIAL PLANNING**

Compass Ion provides financial planning services. Financial planning is a comprehensive evaluation of a client's current and projected future financial status using currently known data, assumptions about future events, goals and variables to project future cash flows and asset values. Compass Ion uses the results of these projections to create planning recommendations in the context of the clients' expressed mission, vision, values and goals. Through the financial planning process, all material questions, information and analysis are considered as they affect and are affected by the entire financial and life situation of the client. Clients receiving this service receive a written report which provides the client with a financial plan designed to assist the client achieve his or her financial goals and objectives.

Compass Ion gathers necessary information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, return objectives and attitudes toward risk. All documentation and information supplied by client, or with the client's permission, are carefully reviewed prior to the preparation of a written report. Should the client choose to implement the recommendations contained in the plan, Compass Ion encourages the client, when necessary, to work closely with his or her attorney, accountant or other appropriate professional. Implementation of financial plan recommendations is entirely at the client's discretion.

Compass Ion also provides general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within three months of the beginning of the process, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **INVESTMENT ADVISORY SERVICES**

Generally, Compass Ion provides financial planning and investment advisory services as part of a comprehensive service, it being a goal of Compass Ion to provide investment advisory

services within the context of a full understanding of a client's overall financial situation. Compass Ion provides investment advisory services to individual and family clients based on the individual mission, vision, values and goals of each family. Compass Ion uses a team-driven approach to design diversified, long-term portfolios to meet clients' personal investment goals and objectives. Compass Ion develops strategic and tactical asset allocations for clients. Compass Ion conducts interviews with clients to determine each client's risk profile and seek other personal information during such interviews to enable the Firm to construct an appropriate investment program.

Compass Ion provides investment advisory services to colleges, schools, other charitable organizations and for-profit businesses based on the entity's mission, vision, values and goals. The Firm conducts interviews of key officials at such entities to discover necessary information and develop a risk profile and a strategic asset allocation. Compass Ion uses a team-driven approach to design diversified, long-term-focused portfolios to meet the entity's investment goals and objectives, and in a manner designed to connect the entity's stated mission with the management of the investment portfolio.

Compass Ion manages investment advisory accounts on a discretionary basis or non-discretionary basis. Account supervision is guided by the client's stated objectives as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. The Firm's investment recommendations are not limited to any specific product or service and generally will include mutual fund shares, structured notes and exchange traded funds or notes.

As part of the Firm's investment advisory services, Compass Ion monitors the performance of client portfolios against certain agreed upon benchmarks, assess the performance of securities, and report results to clients through periodic meetings, teleconferences, reports or web portals.

### **CONSULTING SERVICES TO RETIREMENT PLAN SPONSORS**

Compass Ion provides investment advisory services to plan sponsors of certain qualified retirement plans which meet the Internal Revenue Code requirements and the Employee Retirement Security Act of 1974 (ERISA), such as profit sharing plans, 401(k) plans, 403(b) plans, and 457 plans. The Firm provides recommendations as to the appropriate, limited array of investment options to be chosen from the mutual funds available through the plan's third party administrator investment platform. At the client's desires, Compass Ion also provides informational and educational services to plan participants through seminars, employee meetings, and other manners of communication to assist the participants in learning how to properly utilize the plan and the investment options therein. Compass Ion does not have custody, control, discretionary authority, responsibility for execution and does not take responsibility for valuation, recordkeeping, or proxy voting.

### **STRUCTURED NOTE BUYING PROGRAM**

Compass Ion designs and implements Structured Notes for its clients, working with Keel Point Advisors, LLC, another Registered Investment Advisor. Structured notes are hybrid securities that have components of both debt instruments and other underlying securities, such as

equities, commodities, options, etc. Certain types of structured notes have the ability to enhance upside return while protecting a portion of downside risk. Compass Ion typically employs these investments for clients as a complement to traditional long-only equity strategies.

### **WRAP FEE PROGRAMS**

Compass Ion does not sponsor or recommend Wrap Fee Programs.

### **AMOUNT OF MANAGED ASSETS**

As of May 2, 2013, Compass Ion has no assets under management. The Firm anticipates managing client assets on both a discretionary and non-discretionary basis.

## Item 5: Fees and Compensation

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### FINANCIAL PLANNING

Compass Ion's Financial Planning fee will be determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Compass Ion's Financial Planning fees are calculated and charged on an hourly basis, ranging from \$100 to \$350 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, Compass Ion will provide an estimate for the total hours at the start of the advisory relationship. The client will be billed quarterly in arrears based on actual hours accrued.

Compass Ion's Financial Planning fees are calculated and charged on a fixed fee basis, typically ranging from \$2,000 to \$12,000, depending on the specific arrangement reached with the client.

Compass Ion may request a retainer upon completion of the initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

***Financial Planning Fee Offset:*** Compass Ion reserves the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage the Firm for the Firm's Portfolio Management Services. The client will be billed quarterly in arrears based on actual hours accrued.

### INVESTMENT ADVISORY

Due to the nexus Compass Ion sees between financial planning and investment advisory work, Compass Ion prefers to work with clients for whom The Firm has an ongoing agreement to provide both financial planning and investment advisory services. Therefore, the Firm's ongoing investment advisory fees are designed to create enough revenue to pay for both services as one unified service. Compass Ion's annual fee for Investment Advisory Services and ongoing Financial Planning services are based on a percentage of assets under management and generally range from **0.50% to 1.35%**.

***Limited Negotiability of Advisory Fees:*** While Compass Ion has established the aforementioned fee range, Compass Ion retains the discretion to set and negotiate fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee will be identified in the contract between the adviser and each client.

Compass Ion may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Portfolio Management Services may be charged as a **fixed fee**, negotiated on a case-by-case basis. Overall factors to be considered will include the type and amount of assets to be managed and the complexity of the client's circumstances. Compass Ion's fixed fees range from **\$1,000 to \$20,000**.

### **RETIREMENT PLAN CONSULTING**

Compass Ion's fees for providing services for consulting services to Retirement Plan Sponsors are based upon a percentage of assets under management and generally range from **0.50% to 1.00%**.

### **STRUCTURED NOTES**

If a client agrees to participate in Compass Ion's Structured Notes Buying Program, there is a one-time charge of a one percent (1.0%) fee in addition to the investment advisory fee described above for any portion of the client's account that is invested in Structured Notes. This fee is shared with Keel Point Advisors, LLC. For purposes of the fee calculation, the Firm values the Structured Notes at the initial investment amount of each Structured Note investment and this amount could be higher or lower than the actual value of the Note.

### **POTENTIAL CONFLICT OF INTEREST**

Management personnel and other related persons of the Firm are licensed as registered representatives of a broker-dealer and/or licensed as insurance agents or brokers. In their separate capacity (ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

### **GENERAL INFORMATION**

In certain circumstances, fees, account minimums and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's



reimbursement of fees, Compass Ion will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to Compass Ion Advisors, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without Compass Ion's services. In that case, the client would not receive the services provided by the Firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the Firm's fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to Compass Ion's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** Compass Ion 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"). As such, the Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

To avoid engaging in prohibited transactions, Compass Ion may only charge fees for investment advice about products for which the Firm and/or the Firm's related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which the Firm and/or the Firm's related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset the Firm's advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

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

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Compass Ion does not charge performance-based fees.

## Item 7: Types of Clients

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Compass Ion provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- Trusts

### **Account Minimums**

Compass Ion generally requires a minimum account under certain circumstances of \$250,000 for investment advisory clients, although this may be negotiable. Compass Ion may group certain related client accounts for the purposes of achieving the minimum account size.

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

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### METHODS OF ANALYSIS

Compass Ion uses the following methods of analysis in formulating the Firm's investment advice and/or managing client assets:

**Asset Allocation.** Rather than focusing primarily on securities selection, Compass Ion attempts to identify an appropriate asset allocation ratio appropriate to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the asset allocation ratio will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** Compass Ion looks at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Compass Ion also looks at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. Compass Ion also monitors the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, 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, as Compass Ion does not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Structured Notes.** Although an investment in Structured Notes is often aimed at reducing volatility in client portfolios, investing in Structured Notes involves a certain degree of risk. Principally, such risks are:

- a. The performance of the notes is related to the performance of the underlying indices (i.e., equities, commodities, etc.), so if the underlying index were to decline one hundred percent (100%), then the investment would result in the loss of the entire investment.
- b. The payment of any amount due at maturity is subject to the issuer's ability to pay its obligations when they become due.
- c. The notes are not listed on any securities exchange. There may be no market for selling these notes before maturity. Neither the issuer nor the Firm is obligated to

buy the notes. If the issuer does buy the note back before maturity, the fact that selling and structuring costs were included in the original purchase price will negatively impact the price to be paid by the issuer.

d. The notes are not insured by any governmental agency.

e. The notes typically do not pay interest or dividends.

f. The issuer or its affiliates also perform other functions in connection with the issuance of the notes. In performing these duties, the economic interests of the issuer could potentially be adverse to the client.

g. Certain notes are callable by the issuer, meaning that the issuer can choose to redeem the notes prior to maturity. In such a case, a client will not receive gains that arise after the note has been redeemed.

h. The structure of certain notes limits the potential payment at maturity, regardless of the appreciation of the underlying index.

***Third-Party Money Manager Analysis.*** Compass Ion examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Compass Ion monitors the manager's underlying holdings, strategies, concentrations and leverage as part of the Firm's overall periodic risk assessment.

Additionally, as part of Compass Ion's due-diligence process, the Firm surveys the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as Compass Ion does not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for the Firm's clients. Moreover, as Compass Ion does not control the manager's daily business and compliance operations, Compass Ion may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

## ***INVESTMENT STRATEGIES***

Compass Ion purchases securities with the idea of holding them in the client's account for a year or longer. Typically the Firm employs this strategy when the Firm believes the securities to be currently undervalued, and/or the Firm wants exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, Compass Ion may not take advantages of short-term gains that could be profitable to a client. Moreover, if Compass Ion's predictions are incorrect, a security may decline sharply in value

before the Firm makes the decision to sell.

## ***RISK OF LOSS***

You should be aware that investing in securities involves risk of loss that you should be prepared to bear.

Material risks associated with the methods of analysis and investment strategies used include actual company specific or market events that may contradict assumptions at the time a security was chosen, and/or a security's actual performance that may not follow trends previously identified in the analysis conducted. Any performance quoted represents past performance, is no guarantee of future results, and will not provide an adequate basis for evaluating the performance of the product over varying market conditions or economic cycles. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Because some types of investments involve certain additional degrees of risk, they only will be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

All investment programs have certain risks that are borne by the investor. Compass Ion's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

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

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining

it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9: Disciplinary Information

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Compass Ion is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management. Compass Ion has no information to disclose applicable to this Item.



## Item 10: Other Financial Industry Activities and Affiliations

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Management personnel of Compass Ion are separately licensed as registered representatives of Comprehensive Asset Management and Servicing, Inc., an unaffiliated broker-dealer. These individuals, in their separate capacity, can affect securities transactions for which they will receive separate, yet customary compensation. While Compass Ion and these individuals endeavor at all times to put the interest of the clients first as part of the Firm's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Management personnel of the Firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by Compass Ion and its management persons or employees creates a conflict of interest that may impair the objectivity of the Firm and these individuals when making advisory recommendations. Compass Ion endeavors at all times to put the interest of its clients first as part of the Firm's fiduciary duty as a registered investment adviser; Compass Ion takes the following steps to address this conflict:

- The Firm discloses to clients the existence of all material conflicts of interest, including the potential for the Firm and the Firm's employees to earn compensation from advisory clients in addition to the Firm's advisory fees;
- The Firm discloses to clients that they are not obligated to purchase recommended investment products from the Firm's employees or affiliated companies;
- The Firm collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- The Firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- The Firm requires that employees seek prior approval of any outside employment activity so that the Firm may ensure that any conflicts of interests in such activities are properly addressed;
- The Firm periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and

- The Firm educates employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

### **Other Investment Advisors**

Compass Ion may select other investment advisors for its clients, and may share in compensation with those advisors.

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

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### **Code of Ethics**

Compass Ion employees must comply with a Code of Ethics and Statement for Insider Trading. The Code describes Compass Ion's high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Douglas R. MacGray, Principal, Senior Vice President Financial Planning and Chief Compliance Officer, reviews all employee trades each quarter. These reviews ensure that personal trading does not affect the markets, and that clients of Compass Ion receive preferential treatment.

Compass Ion's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination.

Clients and prospective clients can obtain a copy of Compass Ion's Code of Ethics by contacting Doug MacGray at 610.228.2200.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of Compass Ion will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities, primarily mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Compass Ion's clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and designed to reasonably prevent conflicts of interest between Compass Ion and its clients.

### **Participation or Interest in Client Transactions – Financial Interest and Principal/Agency Cross**

Compass Ion may effect agency cross transactions for client accounts. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under

common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions are priced using an external broker/dealer and clients may be charged a nominal transaction charge, but no commissions. As a result, an agency cross transaction may result in a better price and/or lower transaction (including commission) costs for clients. Cross transactions will comply with the requirements associated with such transactions under the Investment Advisers Act of 1940, including the applicable disclosure and consent requirements.

## Item 12: Brokerage Practices

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Compass Ion will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help the Firm in providing investment management services to clients. Compass Ion may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, Compass Ion may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to the Firm and, indirectly, to the Firm's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment the Firm's own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at the Firm's discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Compass Ion does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research the Firm receives will help the Firm to fulfill the Firm's overall duty to clients. Compass Ion may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers Compass Ion selects may be paid commissions for effecting transactions for clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if the Firm determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or the Firm's overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and the Firm makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by the Firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When Compass Ion uses client brokerage commissions to obtain research or brokerage services, the Firm receives a benefit to the extent that the Firm does not have to produce such products internally or compensate third-parties with the Firm's own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because Compass Ion has an incentive to direct client brokerage to those brokers who provide research and services the Firm utilizes, even if these brokers do not offer the

best price or commission rates for the Firm's clients.

Compass Ion obtains the following products and services, from TD Ameritrade on a soft-dollar basis:

Research and Brokerage Products and Services. "Research" products and services Compass Ion may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit the Firm to effect securities transactions and perform functions incidental to transaction execution. Compass Ion generally uses such products and services in the conduct of the Firm's investment decision making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

Other Uses and Products. Compass Ion may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for administrative and other purposes as well. In these instances, the Firm makes a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable making investment decisions and executing transactions is paid with commission dollars and the Firm bears the cost of the balance. Compass Ion's interest in making such an allocation differs from clients' interest, in that the Firm has an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

Mutual Fund Transactions. Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, Compass Ion may, consistent with the Firm's duty of best execution, determine to cause client accounts to pay transaction fees when purchasing shares of certain no-load mutual funds through the broker-dealer in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

Amount and Manner of Payment. A broker-dealer through which the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." Where a client has authorized the Firm to consider a broker-dealer's provision of services outside the Section 28(e) safe harbor, a broker-dealer may generate "credits" based on transactions effected in the past and allow the firm to use such "soft dollars" to acquire services and products provided by third parties. Compass Ion does not exclude a broker-dealer from receiving

business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although Compass Ion may not be willing to pay the same commission to such broker-dealer as the Firm would have paid had the broker-dealer provided such products and services.

Compass Ion, if the client so directs, requires that it be provided with written authority to determine the broker-dealer to use for client transactions and the commission costs that will be charged to clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to the Firm in writing.

Compass Ion may place block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow the Firm to execute equity trades in a timelier, more equitable manner, at an average share price. Compass Ion will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Compass Ion's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with the Firm's order allocation policy.
2. The advisor must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable the Firm to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other

written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. Client account records will separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on the Firm's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

Compass Ion participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. Compass Ion receives some benefits from TD Ameritrade through the Firm's participation in the program. (Please see disclosure under item 14 below.)

Compass Ion participates in TD Ameritrade's Institutional customer program and the Firm may recommend clients to maintain accounts with TD Ameritrade for custody and brokerage services. There is no direct link between the Firm's participation in the program and the investment advice Compass Ion gives to the Firm's clients, although the Firm receives economic benefits through the Firm's participation in the program that are typically not available to TD Ameritrade 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 adviser 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 to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by the Firm's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit the Firm but may not benefit client accounts. These products or services may assist the Firm in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Firm manage and further develop the Firm's business enterprise. The benefits received by the Firm or the Firm's personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by the Firm or the Firm's related persons in and of itself creates a potential conflict of interest and may indirectly influence the Firm's choice of TD Ameritrade for custody and brokerage services.

Compass Ion has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") as well as Pershing LLC ("Pershing") through which Fidelity and Pershing provide the Firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support the Firm in conducting business and in serving the best interests of clients but that may also benefit the Firm directly.

Fidelity and Pershing charge brokerage commissions and transaction fees for executing certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity and Pershing enable Compass Ion Advisors, LLC to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates and Pershing's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity and Pershing may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity and Pershing also make available to the Firm, at no additional charge to the Firm, certain research and brokerage services, including research services obtained by Fidelity and Pershing directly from independent research companies, as selected by the Firm (within specified parameters). These research and brokerage services presently include services such as economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and are used by the Firm to manage accounts for which the Firm has investment discretion.

As a result of receiving such services for no additional cost, Compass Ion may have an incentive to continue to use or expand the use of Fidelity's and/or Pershing's services. Compass Ion examined this potential conflict of interest when the Firm chose to enter into the relationships with Fidelity and Pershing and have determined that the relationships are in the

best interests of clients and satisfies client obligations, including the Firm's duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, while Compass Ion will seek competitive rates, to the benefit of all clients, Compass Ion may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by the Firm will generally be used to service all of the Firm's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

### **Trade Aggregation**

Compass Ion and its employees may trade in the same securities with client accounts on an aggregated basis when consistent with Compass Ion's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Compass Ion will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

## Item 13: Review of Accounts

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### FINANCIAL PLANNING SERVICES

**REVIEWS:** For clients who are paying an ongoing fee based on a percentage of assets under management, financial planning reviews occur at regular stages depending on the nature and terms of the specific client need and the specific client engagement.

**REPORTS:** Financial planning clients will receive a completed financial plan. For clients paying an ongoing fee based on a percentage of assets under management, additional reports will typically be provided when financial planning review occur.

### INVESTMENT ADVISORY SERVICES

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed periodically. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: the Firm's compliance staff, and/or the Firm's advisor representatives, which include James C. Baird, Chairman and Founding Principal; Matthew D. Kane, President and Principal; George J. Limbach, Senior Vice President and Principal; Douglas R. MacGray, Senior Vice President Financial Planning and Principal; Josh Manifold, Senior Vice President; Patrick M. House, Senior Vice President; Benjamin M. Dourte, Vice President; Richard Liburdi, Vice President; and Daniel H. Soderberg, Vice President.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, The Firm may provide quarterly reports summarizing account performance, balances and holdings.

## Item 14: Client Referrals and Other Compensation

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### CLIENT REFERRALS

Compass Ion may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to the Firm. Whenever Compass Ion pays a referral fee, the Firm requires the Solicitor to provide the prospective client with a copy of this document (*Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with the Firm
- the fact that the Solicitor is being paid a referral fee
- the amount of the fee; and
- whether the fee paid to the Firm by the client will be increased above the Firm's normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to the Firm by clients referred by solicitors are not increased as a result of any referral.

### OTHER COMPENSATION

Compass Ion also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may not be offered to any other independent Investment Advisors participating in the program. Specifically, the Additional Services include payments to Tamarac, Inc. on behalf of the Firm and the Firm's Representatives. TD Ameritrade provides the Additional Services to the Firm in its sole discretion and at its own expense, and Compass Ion does not pay any fees to TD Ameritrade for the Additional Services. Compass Ion and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Compass Ion's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to the Firm, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, the Firm's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum, with the Firm, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Compass Ion may have an incentive to recommend to its Clients that the assets under management by the Firm be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. The Firm's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including seeking best execution of trades for Client accounts.

## Item 15: Custody

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Compass Ion previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that the Firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that 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.

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 Compass Ion directly if they believe that there may be an error in their statement. The Firm does not have physical custody of client accounts.

## Item 16: Investment Discretion

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Clients may hire Compass Ion to provide discretionary asset management services, in which case Compass Ion places trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Compass Ion's discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give Compass Ion discretionary authority when they sign a discretionary agreement with the Firm, and may limit this authority by giving Compass Ion written instructions. Clients may also change/amend such limitations by once again providing Compass Ion with written instructions.

If Compass Ion has not been given discretionary authority, Compass Ion consults with the client prior to each trade.

## Item 17: Voting Client Securities

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As a matter of Firm policy, Compass Ion does not vote proxies on behalf of clients. Therefore, although the Firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

## Item 18: Financial Information

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For a select number of clients Compass Ion requires or solicits payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, upon request, the Firm shall include or deliver a financial statement/balance sheet to those clients annually.

Compass Ion has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.