

**Part 2A, Appendix 1**

***Item 1 - Cover Page***

**COMPASS FINANCIAL ADVISORS, LLC**

FORM ADV – PART 2A INFORMATION

February 19, 2015

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**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Compass Financial Advisors, LLC (“Compass”) (CRD No. 109131). If you have any questions about the contents of this Brochure, please contact us at (219) 476-7100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Compass, including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

***Item 2- Material Changes To This Wrap Fee Brochure Since Its Last Annual Update***

***None***

**Item 3**

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#### ***Item 4 - Service, Fees and Compensation***

Compass Financial Advisors, LLC (“Compass”) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Individuals associated with Compass provide the advisory services on behalf of the firm. These individuals are appropriately licensed, qualified and authorized to provide advisory services on Compass’ behalf and are called Investment Adviser Representatives (“Representatives”). Compass has been offering advisory services since November 1998. Compass is majority owned by Bruce Patterson, David Fought, and Compass Financial Holdings, LLC, a holding company, which is owned by Louis J. Rogers and James A. Riggs. Compass does not control any other firm. Compass makes both investment management and counseling services available to a wide variety of clients, including individuals, entities, pension and profit sharing plans, trusts, estates and charitable organizations, corporations and other business entities. This Appendix 1 describes the firm’s “wrap” fee account management services, while the firm’s Form ADV, Part 2A brochure describes the firm’s counseling and management services provided on a non-wrap basis. Under a wrap program, the asset-based fee charged to clients covers Compass’s management fees, third-party portfolio management fees (if applicable), as well as certain brokerage transaction commission costs, on the majority of all transactions.

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

The “wrap fee” management services of Compass are described in detail below. Another brochure, available upon request, describes planning, consulting, third party manager, management and other non wrap fee services.

As of March 31, 2014, Compass had assets of approximately \$165,774,805.59 under discretionary management and \$46,109,640.94 under non-discretionary management.

##### ***A. Asset Allocation and Portfolio Supervisory Services***

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

Under the program, the initial asset allocation process is based on the financial information gathered from the client including net worth, risk tolerance, financial goals and objectives and overall financial conditions. Based on that information, the client is provided with investment

recommendations designed to provide an appropriate asset mix consistent with the client's objections. The client's portfolio and its performance are monitored by Compass Representatives in light of the client's stated goals and objectives. The frequency of these reviews is determined by the Representative. Depending on the type of services agreement signed by the client, Compass may have discretion to place orders at will, and will do so without first contacting the client for permission for a transaction. Compass Representatives meet with the client on an as needed basis to discuss the portfolio or other aspects of the service.

Compass typically recommends that investment management clients use the custody services of Pershing LLC("Pershing"). Pershing provides custody of client assets, processes transaction orders for client accounts, prepares account activity statements, and facilitates the payment of advisory fees due Compass and third-party managers.

Compass believes that investing is generally best suited to those who believe in a long-term buy-and-hold policy. Therefore, clients should not expect frequent investment changes in the portfolio. As a result of monitoring the account, portfolio modifications may occasionally be advisable and made.

As indicated above, when providing Asset Allocation and Portfolio Supervisory Services, Compass Representatives will exercise discretion when granted authority by clients, and most clients grant discretionary authority to Compass. When doing so, it allows Compass to select the securities to buy and sell, the amount to buy and sell, when to buy and sell, and the commission rate paid, without obtaining specific consent from the client for each trade. Clients should be aware that Representatives may make different recommendations and effect different trades with respect to the same securities and insurance to different advisory clients. Commissions and executions of certain securities transactions not covered by the wrap service fee, and transaction executions within the wrap program, implemented through the Custodian may not be better than the commissions or executions available if the client used another brokerage firm. However, Compass believes that the overall level of services and support provided to the client by custodians and broker-dealers for any trades not covered by the wrap fee outweighs the potentially lower costs that may be available from other brokerage service providers.

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

If a client directs Compass to effect transactions through a particular broker/dealer, including Service Providers, Compass will do so. However, such an instruction may have implications to the client which may include incurring transaction costs that may be higher or lower than if the instruction had not been given. Also, restricting Compass to particular broker/dealers may limit Compass's ability to include a client account order within block orders to obtain the best price or execution. For these reasons, Service Providers are the firms customarily required to be used for Compass's Asset Allocation and Portfolio Supervision Service wrap program.

In these instances where an order error occurs by Compass, it is Compass's policy to make the client's account whole.

*Asset Allocation and Portfolio Supervision Services Wrap Fees.*

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

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

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

The asset-based fee includes all fees and charges for services, as applicable, of Compass, third-party managers and all applicable brokerage charges. The fee does not include the following: (a) charges for services provided by Compass, its affiliates or third parties which are outside the scope of this Agreement (e.g., retirement plan administration fees, trustee fees, wire transfer fees, account fees and charges incidental to brokerage and custodial services, etc.); (b) any taxes for fees imposed by exchanges or regulatory bodies; (c) mark-ups and mark downs charged on principal trades; (d) brokerage commissions and other fees and charges imposed because Compass or a Third-Party Manager chooses to effect securities transactions for the Account with or through a broker-dealer other than the Custodian; (e) sales loads and internal operating expenses on mutual funds, exchange traded funds and variable insurance contracts; (f) commissions on transactions occurring after notice of Agreement termination is given by one party to the other; (g) commissions on transactions ordered by the client; and (h) a \$4.00 per month administrative reporting fee. Each of these additional charges may be separately charged to the Account or reflected in the price paid or received for a given security.

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

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

Mutual funds held in portfolios also incur investment management fees and other internal expenses as described in the prospectus of each fund. Thus, clients pay these internal fund fees

in addition to program fees to Compass. Clients should be aware that such funds may be available outside of the Asset Allocation and Portfolio Supervision program at no charge.

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

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

*B. Costs*

Compass's "wrap" fees shown above may be more or less than that charged by Compass to another client for similar services, and by other advisers for similar services. Also, Compass's "wrap" fee, i.e., the fee covering both advisory services and certain transaction commissions, may be more or less than two fees charged separately for management and transaction brokerage services. The factors that bear upon the cost of services are the size of the account, number of transactions, strategies employed, type of securities within an account, and whether trades are placed through a brokerage firm other than the custodian resulting in per trade commissions being charged to the account.

Compass does not charge any performance-based fee.

*C. Internal Fees of Funds and Other Excluded Costs*

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

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

*D. Wrap Fee Incentives*

Because Compass absorbs transaction costs, its Representatives giving advice have a recommended financial incentive not to place transaction orders frequently since doing so increases the transaction costs to Compass and thereby reducing its revenue which the Representative shares. Thus, an incentive exists in a wrap services program to place trades less frequently. Also, because fees are asset-based, there is an incentive for the Representative to recommend that a client not reduce positions since doing so will reduce the fee to the Representative. Also, Representatives may reverse more compensation in this program over

others which require separate payment for advice, brokerage and other services, thus this financial incentive may also create a conflict of interest.

#### ***Item 5 - Account Requirements and Types of Clients***

Although Compass does not generally have any conditions for providing its services, Compass Representatives may negotiate a base fee for the wrap services described in this brochure. Compass makes its services available to a wide range of clients including individuals, pension and profit sharing plans, trusts, estates, charitable organization and business entities.

#### ***Item 6 - Portfolio Manager Selection***

##### ***A. Third-Party Managers***

When securing the services of third party portfolio managers, Compass will generally recommend and use the services of managers it has researched and is familiar with. Therefore, managers having better or worse performance may not be considered. Third-party managers are only recommended when the manager's strategy fits within a particular clients investment risk tolerance and objectives.

Third party portfolio manager performance, like that of investment performance, is reviewed periodically by Compass and discussed with the client. In most cases, recommendations to replace a third party portfolio manager are not made based upon short-term performance. When a third party portfolio manager is replaced, Compass will attempt to notify the client orally or in writing to obtain the client's consent for the change. However, Compass is granted authority to change managers even if a client's consent is not obtained. When a third party portfolio manager is selected, clients will receive that firm's Form ADV Part 2A brochure for review. Clients are encouraged to carefully review the information in the brochure upon receipt. The performance of third-party managers will not be reviewed by an outside source.

Representatives of Compass may be the portfolio managers and may not be as experienced or have a better performance record than other available managers.

##### ***B. Related Managers***

Compass Representatives may act as portfolio managers. Because of their portfolio manager role, the incentives described in "Wrap Fee Incentives" above apply. Also, Compass Representatives providing management services may not have extensive experience in portfolio management, thus may not have a history of performance to match against other individuals and management firms. Thus, the Representatives providing advice are not subject to the same selection and review process that would occur if third-party managers were being evaluated. However, only seasoned Representatives having sufficient securities knowledge, and customer advisory experience are allowed to provide management services in the Asset Allocation and Portfolio Supervision Services program.

##### ***C. Business Information***

Advisory Business. See Item 4A.

Performance Based Fees and Side-by-Side Management. Compass does not charge any performance-based fees. All fees are disclosed above.



Methods of Analysis, Investment Strategies and Risk of Loss. Compass's security analysis methods include, but are not limited to, fundamental analysis (evaluating securities based upon its historical and projected financial performance); and cyclical analysis (determining the desirability of an issue based upon the status of an issue within the price cycle the security or similar securities have followed historically) All securities analysis methods and strategies, even those used by Compass may involve a high degree of risk and losses can occur.

Compass's main sources of information include, but are not limited to, financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, public filings and company press releases.

Compass does not guarantee the results of the advice given. Thus, significant losses can occur by investing in any security, or by following any strategy, including those recommended or applied by Compass.

Compass may recommend traditional exchange-traded funds ("ETF"). ETF shares are bought and sold at market price unlike mutual funds. ETFs are subject to risks similar to those of stocks.

Voting Proxies on Client Securities. Compass and its Representatives do not vote proxies on behalf of clients who will receive such notices from their account's custodian.

Compass also does not take any action on legal notices it or a client may receive from issuers of securities held in a client's managed account. However, it is available to answer questions regarding such notices.

#### ***Item 7 - Client Information Provided to Portfolio Managers***

Compass will provide third-party managers investment objective and restriction information and other information about the client at account inception, and thereafter as changes to such information is provided to Compass by a client.

#### ***Item 8 - Client Contact With Portfolio Managers***

Clients are free to contact their Compass portfolio manager at any time.

#### ***Item 9 - Additional Information***

##### ***A. Disciplinary Information and Affiliations***

Compass does not have any disciplinary information to report regarding itself or any of its counselors or other related persons other than the following.

Other Financial Industry Activities and Affiliations. Most persons associated with Compass, including its Representatives, may be registered as securities representatives of Fintegra, LLC ("Fintegra"), a licensed, full-service securities broker/dealer and investment adviser. Fintegra is a member of the Financial Industry Regulatory Authority ("FINRA"). Securities transactions for Fintegra's brokerage customers are executed and cleared through Pershing, LLC, an unaffiliated

securities broker/dealer specializing in processing transactions for other “introducing” firms. Pershing also provides Fintegra customers with transaction confirmations and account statements.

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

When Compass Representatives make recommendations for the purchase of insurance or securities they also receive customary commissions as insurance salespersons or securities registered representatives. The receipt of commissions in return for insurance or securities product purchases creates a conflict of interest for Representatives when they recommend the purchase of such products to clients.

*B. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*

Representatives of Compass may buy or sell securities for themselves that they also recommend to clients. Where a transaction for a Representative, or an account related to the Representative, is contemplated, a client’s transaction is given priority. Compass has developed a Code of Ethics applicable to all persons who have access to confidential client records or to recommendations being made for client accounts. Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm’s staff, the Code requires such “access persons: to obtain preapproval of certain securities transactions, to report transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities for clients’ accounts. The Code also establishes certain bookkeeping requirements relating to federal reporting rules. The Code is required to be reviewed annually and updated as necessary. A complete copy of the firm’s Code is available upon request.

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

Client Referrals and Other Compensation. Compass does not currently have any client referral relationships. Thus, it does not pay any fee to a third party for making client referrals to it. Also, as indicated above, the firm does not direct brokerage transactions to any third party, including Pershing, in return for client referrals.

Compass participates in service programs of Pershing, LLC, (“Pershing”) and recommends the firm to clients for custody and brokerage services. Clients should be aware that there is no direct link between Compass and Pershing in connection with the advice Compass gives to clients. Compass receives economic benefits through the custody and operating relationships it has with Pershing that are typically not available to the Pershing’s retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research-related products and tools; consulting services; access to a trading desk serving advisory representative participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the

appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees; and discounts or no fees on a compliance, marketing, research, technology, and practice management products or services provided to Compass by third-party vendors. Pershing may also pay for business consulting and professional services received by Compass's affiliated persons and may also pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses) for Compass's personnel to attend conferences or meetings relating to their service platforms or to their adviser custody and brokerage services generally. Some of these products and services made available by Pershing may benefit Compass, but may not benefit its client accounts. Such other services made available by Pershing are intended to help Compass manage and further develop its business enterprise, and such services do not depend on the amount of brokerage transactions directed to them.

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

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

Other than the services described above, Compass and its Representatives do not direct transactions and the commissions they generate (soft dollars) to brokerage firms or other parties to receive research or other benefits.

Compass Representatives are also licensed to offer securities and insurance products and will receive customary commissions for the sale of such products should a client decide to make purchases or sales through a Compass Representative which is not covered by the wrap fee. When selling these products, a conflict of interest exists. Both load and no-load funds may be recommended.

*Financial Information.* Compass does not require or solicit fees of more than \$1,200 six months or more in advance, thus no financial statement for Compass is attached. Compass does not have any financial condition that is reasonably likely to impair its ability to meet its contracted commitment to any client.