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**Form ADV Part 2A Brochure**

This Form ADV Part 2A brochure provides information about the qualifications and business practices of Compak Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 800-388-9700 or [investments@compak.com](mailto:investments@compak.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 Compak Asset Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Compak Asset Management, Inc. is a registered investment advisor. Registration as an investment advisor does not imply any certain level of skill or training.

**Material Changes (Item 2)**

*This section of the brochure helps you quickly identify material changes from the last annual update.*

This brochure describes important details about us, the services we provide, and includes information that was not in our previous brochure.

As more fully described in the Advisory Business and Fees and Compensation sections of this document (Items 4 and 5), starting January 11, 2016, Compak Asset Management began offering a "satisfaction guarantee" to all new clients initiating a relationship whereby such client will be permitted to obtain a refund for any reason of advisory fees paid to us during the first twelve (12) months from the date a management agreement is executed with us to provide asset management services/integrated wealth management solution

As more fully described in the Advisory Business – Financial Planning section of this document (Item 4),

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## **Advisory Business (Item 4)**

*This section of the brochure tells you about our business, including ownership, and a description of the services we offer.*

Compak Asset Management, Inc. is referred to in this document as “Compak Asset Management”, “the Company”, “us”, “we”, or “our”. In this document we refer to current and prospective clients of Compak Asset Management as “you”, “client”, or “your”. Compak Asset Management was created in 1999 and is owned by its principals, Moez Ansari and Feroz Ansari. Compak Asset Management is headquartered in Newport Beach, CA and has an office located in Scottsdale, AZ.

Arizona Office:  
8865 E. Bell Road, Suite 201  
Scottsdale, AZ 85260

### **Types of Advisory Services**

#### Investment Supervisory Services

Some clients enter into a written Investment Advisory Agreement, where Compak Asset Management through its investment committee headed by Moez Ansari provide asset management services on a continuous and ongoing basis guided by the individual needs of the client. Using the information provided by you, the investment advice provided to you is tailored to your individual situation. We regularly inquire about, and you are responsible for providing, information about your investment goals, time horizon, and risk tolerance. These investment supervisory services are generally not provided to all your holdings or net worth but rather only to assets specifically designated by you and agreed to by us as managed assets.

#### Satisfaction Guarantee

Starting January 11, 2016, new clients entering into one of our managed account agreements (Standard Account or Value Account described below), will be provided a satisfaction guarantee for the first twelve (12) months from the date of signing a management agreement with us. Our satisfaction guarantee provides that during the first twelve (12) months from the date of opening your account, you will be permitted to obtain a refund of all management and maintenance fees paid to us for any reason, including but not limited to, dissatisfaction with our: (i) financial planning, (ii) investment performance, (iii) LIVE360 life satisfaction program, (iv) back office operations or (v) frequency of communications concerning your account. You need not give any reason or justification for a refund request. Simply put, if you are not satisfied during the first twelve (12) months of our business relationship, Compak will refund all management and maintenance fees paid to us within thirty (30) days of any such request. The refund may be provided as a credit to the client's account or a check paid directly to the client. In case of qualified accounts, a refund will be provided through a check paid directly to the client.

This satisfaction guarantee does not and cannot provide any assurances about account performance, as all investing involves some degree of risk and we are unable to guarantee any level of success. For those clients who do request a refund of management and maintenance fees we anticipate it will be their preference to move their account to another investment adviser of his or her choice. If the request for a refund of management and maintenance fees relates to other than investment performance, Compak reserves the right in some instances to discuss the possibility of remaining a client under one of our fee structures set forth herein. Under all circumstances there will be no termination fees paid by a client due to the exercise of a satisfaction guarantee. Compak also reserves the right to terminate its satisfaction guarantee program on thirty (30) days written notice. All clients eligible for the satisfaction guarantee at the time of termination of the satisfaction guarantee program will be provided the full twelve (12) month decision period for electing a refund of management fees.

For purposes of the satisfaction guarantee we consider a new client to be any person or entity that has never maintained an account with us and who places with us assets to manage the source of which originates from other than a current Compak account. We do not consider group retirement plan participants as having a direct relationship with us and thus any such plan participants who open a new account with us will be eligible for our satisfaction guarantee.

### ***Standard Accounts***

We generally offer our investment supervisory services to clients who place assets with a value of at least \$150,000 under our management. In this "Standard Account", we select from different asset allocation models to manage your assets in accordance with your goals, objectives, and instructions. We may accept accounts smaller than \$150,000 at our sole discretion.

### ***Value Accounts***

Beginning in February 2003, we began offering our "Value Account" to clients who open their accounts with assets with an aggregate value that is less than \$150,000. We then invest your assets in general accordance with an asset allocation strategy that meets the investment objectives and restrictions given by you.

### **Financial Planning**

Some clients are provided with a written financial plan. If you receive a written plan, it makes an attempt to provide you with an estimate of future growth in your net-worth and income. All tax sensitive reports are provided to you as estimates of future income and estate tax liabilities. These tax sensitive reports are based on current federal and applicable state laws regarding taxation. Federal and State Tax Laws are subject to change and interpretation. All reports, financial statement projections, tax liability estimates and analysis are intended exclusively for your use in developing and implementing your financial plan. In view of this limited purpose, un-audited data is collected and used to produce your financial plan, therefore, any report, financial statement or analysis is to be considered un-audited as well. Accordingly, you should understand that such financial statements cannot be used as a representation of wealth, to obtain credit, or for any other purpose, other than developing a financial plan. Compak Asset Management will not audit

(examine), review or compile such statements and accordingly, Compak Asset Management will not express an opinion or other form of assurance on these financial statements, including the reasonableness of assumptions and other data on which any financial statements or projections are based.

There will be differences between projected estimates and the actual results of plan, because events and circumstances frequently do not occur as expected. Investment returns in particular are most volatile and the probability of estimates coming close to actual results decline with a reduction in the investment-holding period. Compak Asset Management does not in any way represent or infer that the investment returns will be similar to estimates projected in your financial plan. The estimates reflect the historical returns of the various asset classes, and the past performance of these asset classes does not guarantee that future results of these asset classes or your investments will be similar. Compak Asset Management uses a proactive investment strategy; therefore, the actual returns of your portfolio will differ from the financial plan projections. The financial plan is highly dependent on certain economic assumptions about the future. Therefore, the client should establish familiarity with historical data regarding key assumptions such as inflation and investment rates of return, as well as, an understanding of how significantly these assumptions affect the results of our analyses. We will not express any assurance as to the accuracy or reasonableness of your specific data and your assumptions. As your fiduciary, we will attempt to use reasonable assumptions if we prepare a financial plan for you. The financial plan assumptions and reports are primarily a tool to alert clients to certain possibilities. The reports are not intended to nor do they provide any guaranty about future events including an individual's investment returns. The implementation of the plan is solely your responsibility.

The financial plans provided for some of our clients do not address all potential aspects of financial planning. Typically our plans address retirement planning, college funding, and estate planning. Risk management issues such as life, health, disability, and long-term care insurance are not always addressed in every financial plan, and you are encouraged to ask specifically about these issues. Our financial plans are not intended to nor should they be considered to be advice about law or your legal rights and responsibilities, accounting or tax planning, the avoidance of tax penalties or interest or preparation of your tax return. You are encouraged to seek competent legal and tax advice before implementing any recommendation made in a written financial plan.

#### Advice on Matters Not Involving Securities

Compak Asset Management may from time-to-time provide advice on topics not involving securities. This advice may relate to commodities and insurance, as well as general consulting assignments. The fees for this advice may be included as part of an assets under management billing agreement, monthly retainer, or a fixed fee agreement described in the written agreement between us. Non-securities related advice is only provided to you upon specific written request and agreement between us. Not all clients receive this type of advice.

### Consulting Assignments

From time-to-time we might perform specialized consulting services on a fixed fee basis. You and Compak Asset Management will enter into a written agreement describing the services and a projected term and cost. These services might include developing strategies relating to securities or other investments held by you. These services are unique to each client and are not provided to all clients.

### Educational Seminars

Compak may conduct speaking engagements and educational seminars to the general public for a fee. We also may provide these types of seminars to companies, associations, clubs, and other business or non-profit entities. The topics may include issues related to asset/wealth management services, such as financial planning, investment planning, retirement planning, and/or various other economic and investment topics. The seminars may also discuss strategies or services that are provided by Compak or its affiliates. The fee to attend the seminar is typically \$89 per couple. Compak also reserves the right to waive, reduce, or change fee with written notice. In certain circumstances, we will donate the fee to a charitable organization which may include, LIFEvest: A Financial Literacy Program for underprivileged children conducted by the Center for Investment and Wealth Management (UCI School of Business). Feroz Ansari, a principal of Compak, is a current and supporting board member of the Center for Investment and Wealth Management. Compak has made financial contributions to the Center for Investment and Wealth Management.

## **Types of Investments Used**

We consider many different types of securities when formulating the investment advice we give to you. If you come to us with existing investments, we evaluate them with respect to your financial goals, risk tolerance, and investment time horizon. Depending upon your situation, your account(s) managed by us might contain mutual funds, individual stocks, corporate and/or government bonds, or exchange traded funds ("ETFs"). In some situations we might recommend that insurance, commodities, and/or limited options strategies, be part of your investment portfolio.

### Negatively Correlated Investments

We might invest a portion of your portfolios in negatively correlated mutual funds or ETFs. Negatively correlated mutual funds or ETFs might rise in value while the general stock market declines and vice versa. We may add these negatively correlated mutual funds or ETFs in an attempt to reduce the volatility of your portfolio. The addition of negatively correlated investments does not in any way guarantee that the volatility, draw down, or loss of portfolio principal will be lower, and it might actually reduce long-term portfolio performance. See Item 8 for a description of the risks associated with negatively correlated investments.



## **Tailored Services and Investment Restrictions**

We attempt to tailor your investment portfolio to your situation as you have described it to us. This is why it is so important that you let us know about changes to your financial situation, goals, or investment time horizon. You may impose restrictions on investing in certain securities or types of securities. You must clearly identify these restrictions in writing to us.

## **Assets Under Management**

As of June 30, 2017, Compak Asset Management manages approximately \$459,784,958 of client assets, all on a discretionary basis.

## **Fees and Compensation (Item 5)**

*This section of the brochure describes how we are compensated for the services we offer.*

### **Compensation Methodology and Rates**

#### Assets Under Management

For our investment supervisory services, we charge our clients an account management fee and an account maintenance fee. All fees are charged quarterly in advance. Your specific annual fee arrangement will be described in the written Investment Advisory Agreement entered into between you and Compak Asset Management. Investment advisory fees charged by us are negotiable at our sole discretion. All clients do not pay the same fee. A lower fee for a comparable service may be available from other sources.

#### **Account Maintenance Fee**

You will be charged an Account Maintenance Fee of \$45 per calendar quarter for each of your accounts under our management with a value greater than \$10,000. The Account Maintenance Fee is assessed in advance at the beginning of each calendar quarter. We will collect this fee by debiting the fee directly from your account. In the event that the Investment Management Agreement is terminated during the calendar quarter, we will provide a *pro rata* refund of the fee to you. Where appropriate, Compak may redeem mutual funds or sell securities in order to collect this fee.

#### **Account Management Fee—Value Accounts**

Value Accounts are those with a value of less than \$150,000. If you have established a Value Account you will, be charged an Account Management Fee for the forthcoming calendar quarter of 0.625% in advance of the market value of your account assets under our management. If at the end of any calendar quarter, the market value of assets in a Value Account equals or exceeds \$150,000, the Account Management Fee will then be determined in accordance with the fee schedule for the Standard Account. If you establish a Value Account, you will also be charged a one-time non-refundable account set-up fee of 2.75% of the initial account value upon the execution of the Investment Advisory Agreement. The Value Account set-up fee is to compensate us for the establishment of your account in our systems. The fee is earned and non-refundable after your account has been established.

**Account Management Fee—Standard Accounts**

If you have established a Standard Account (value of more than \$150,000) you will be assessed a tiered Account Management Fee in advance for the forthcoming calendar quarter based upon the value of your account assets under management. A sample of our fee calculation follows:

Market Value of Standard Account Assets	Quarterly Asset-Based Fees
\$0 to \$500,000	0.50%
\$500,001 to \$1,000,000	0.375%
\$1,000,001 to \$2,500,000	0.25%
\$2,500,001 to \$5,000,000	0.1875%
\$5,000,001 and above	0.15%

As an example, a Standard Account with \$3,000,000 under management at the end of a calendar quarter will be charged an Account Management Fee of 0.50% of the first \$500,000 under management, 0.375% of the next \$500,000 under management, 0.25% of the next \$1,500,000 under management and 0.1875% of the final \$500,000 under management.

Clients that are referred to us through Fidelity's Wealth Advisor Solutions Program (the "WAS Program") are billed using a different fee schedule than the one shown above. Refer to Item 14 of this document for a full description of the WAS Program. WAS Program clients will pay a quarterly rate of 0.25% on all assets below \$2,500,000. Accounts valued at greater than \$2,500,000 will use the fee schedule shown above or as agreed to in the client's written agreement with us.

If you make additional deposits or withdrawals from your account(s) during the quarter, Compak Asset Management may, but is not obligated to, prorate the Account Management Fee with respect to such deposits or withdrawals.

If the management agreement does not span the entire quarterly billing period, the fee will be pro-rated based on the number of days the account is open during the billing period. Your account custodian will send you account statements, at least quarterly, showing all disbursements for your account including the amount of the advisory fee, if deducted directly from the account. It is the shared responsibility of Compak Asset Management and you to verify the accuracy of the fee calculation as the account custodian will not determine whether the fee has been properly calculated. See Brokerage Practices (Item 12) in this brochure for more information about your account custodian(s).

Compak has the right and does negotiate different fee rates with all clients. All clients do not pay the same fee rates.

You may terminate the Investment Advisory Agreement without fee or penalty by providing written notice to Compak Asset Management within five (5) business days from the execution of the agreement. A client may terminate the Investment Advisory

Agreement with thirty (30) days written notice. Compak Asset Management may terminate the Investment Advisory Agreement without notice. Any unearned asset management fees collected in advance of services being performed will be returned to you on a *pro rata* basis.

Any refund of fees to clients eligible for the satisfaction guarantee (discussed in item 4) will include a refund of the account maintenance fees and the account management fees paid to Compak. Fees excluded from the satisfaction guarantee are those which are typically charged by third parties for transactions on your behalf such as the custodian that holds the assets in your account, fees imposed on purchases of annuities and insurance products and redemption fees imposed by mutual funds and or custodian should you elect to redeem any such investment. Fees charged by the custodian for account closure are excluded the satisfaction guarantee.

#### Hourly Fees

We may perform services for you such as financial planning, where the price of the service is based upon the amount of time to complete the service times an hourly rate. The rate per hour depends upon the level of complexity of the service and experience and expertise of the personnel used to do the work. Our standard hourly rate is \$150 per hour and is negotiable according to the type of services provided. The tasks and services to be performed are described in an engagement letter that is signed by you and Compak Asset Management that also includes the hourly rate, an estimate of time to complete the project, and the procedure for refund or partial billing if the engagement is terminated before completion.

#### ***Valuation of Publicly Traded Securities***

Publicly traded securities in your account(s) managed by us are held at the custodian. We use the securities valuation provided by the independent qualified custodian for reporting and billing purposes. Publicly traded securities are usually valued as of the end of business on the last trading day of the calendar quarter. We will use the value provided by your account custodian for securities held in your account. The account value will include accrued interest, dividends, and capital gain distributions that have been declared and payable to you but not yet received on the valuation date. Our fee calculation will use the value of individual securities positions rounded to the nearest cent. (\$0.01). The rounding of multiple positions within a single account might in some cases result in an aggregate market value that is higher than shown on the custodian statement. This higher aggregate market value of the assets held in the account will result in a fee that is higher than would be the case had the exact amount of your individual securities been used.

We will generally use the valuation methodologies used by either the broker-dealer that is acting as custodian for your account or, in the case of mutual funds, purchased and held by the fund on your behalf, the published Net Asset Value of the funds.

### ***Valuation of Private Equities***

Some of our clients might hold privately issued securities in their Fidelity accounts. These privately issued securities are not publicly traded and therefore do not have a daily indication of their fair market value. It is Fidelity's policy to use the last known transaction price to value these non-publicly traded securities for reporting and billing purposes. Because the last known transaction price for these securities may be from a date far in the past, it may be higher or lower than the actual fair value of the securities at the portfolio valuation date. We do not value any securities held in your account(s).

### **Fixed Fees**

You may enter into an Investment Advisory Agreement where the fee for services is determined through negotiations and agreement between you and Compak Asset Management. Fixed fees are not necessarily based upon the value of assets managed or time expended providing services. If you are paying a fixed fee you might pay a fee higher or lower than one based upon the value of assets managed. In the event a fixed fee engagement is terminated, unearned fees will be returned to you on a *pro rata* basis. Fixed fees paid in advance are normally paid on a quarterly basis.

### **How Clients Pay Advisory Fees**

Fees are generally deducted directly from your account. You must provide your qualified account custodian with written authorization to have fees deducted from your account and paid to Compak Asset Management.

### **Other Types of Fees and Expenses**

In addition to the investment advisory fees you pay to us, you will pay transaction fees (commissions) to your custodian or broker-dealer for executing securities transactions and charges for special services elected by you or Compak Asset Management. These fees may include:

- periodic distribution fees
- electronic fund and wire transfer fees
- certificate delivery fees
- reorganization fees
- account transfer fees (outbound)
- returned check fees
- international security transfer fees
- overnight mail and check fees
- Rule 144 transfer fees
- transfer agent fees

This list is not meant to be all inclusive. Any fee on a special service incurred by the client will be fully disclosed. Please refer to Item 12 of this document for an explanation of our brokerage practices. We strive to purchase load waived or non-transaction fee mutual funds and ETFs but there will be instances that require you to pay additional fees and commissions.

### Investment Company Fees

Investment company funds (e.g., mutual funds or ETFs) that are held by you will bear their own internal transaction and execution costs, as well as directly compensate their investment managers along with internal administrative services. Some funds pay 12b-1 fees, distribution fees, and/or shareholder service fees to broker-dealers that offer investment company funds to their clients. These fees affect the net asset value of the fund shares and are indirectly borne by fund shareholders such as you.

Some fund companies have imposed a redemption fee. A redemption fee is another type of fee that some funds charge their shareholders when shares are sold or redeemed within a short period of time from the purchase of the fund shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. Unlike a sales load, which is generally used to compensate brokers, a redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund, not to a broker. The SEC generally limits redemption fees to 2%. In most cases, the funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account. While it is not the general practice of Compak Asset Management to sell client's securities in a period that would generate a redemption fee we might do so if we believe the sale is in your best interests, or if fund shares must be redeemed to pay fees from the account.

A complete explanation of these charges is contained in the Prospectus and Statement of Additional Information for each investment company fund. You can get a prospectus through the investment company website, by telephone, or by mail.

### **Commission Based Compensation**

Some Investment Advisor Representatives of Compak Asset Management while acting as a Registered Representative of our affiliated broker-dealer (Compak Securities, Inc.) might receive trailing 12b-1 distribution fees and other sales commissions from investment companies, insurance companies, and product sponsors in connection with the placement of your funds in certain securities including variable annuities. The amount of these fees and commissions vary between investment choices. The receipt of the fees and commissions creates a financial incentive for the Investment Advisor Representatives to recommend one investment choice over another. This incentive creates a conflict of interest between you and Compak Asset Management where the Investment Advisor Representative has an incentive to recommend investment products based on the compensation received, rather than on your needs. You acknowledge that the Investment Advisor Representatives and Compak Asset Management might receive such revenue in addition to any investment advisory or financial planning fee(s) paid by you if you choose to implement an investment recommendation through a Compak Representative. To address these conflicts, we review the costs and expenses associated with investments selected for or recommended to you to assure that the costs incurred are reasonable with respect to the services provided. Compak will not charge an investment advisory fee on investments that generated a sales commission that was paid to Compak. The value of an

investment that originally generated a sales commission paid to Compak will not be included in the value of your account(s) for quarterly investment advisor billing purposes.

You have the option to purchase investment products that Compak Asset Management might recommend through other brokers or agents not affiliated with us.

Compak Asset Management has entered into an "Investment Advisor Custodial Support Services Agreement" ("CSSA") with Fidelity, whereby Compak Asset Management is responsible for providing back office, administrative, custodial support, and clerical services for Fidelity accounts. In return for these services, Fidelity pays Compak Asset Management a portion of applicable certain non-retirement mutual fund assets in custody with Fidelity. The receipt of compensation under the CSSA creates a financial incentive for Compak Asset Management to recommend Fidelity as the custodian of client assets and certain mutual funds over other firms. This financial incentive creates a conflict of interest between Compak Asset Management and you. Compak Asset Management receives this compensation from Fidelity on non-retirement client account holdings of non-Fidelity No Transaction Fee (NTF) mutual fund shares purchased through the Fidelity NTF platform. This compensation is approximately 29 basis points or 0.0029 on an annual basis of the value of the mutual fund shares paid monthly. This compensation from Fidelity creates an incentive for us to encourage clients to select Fidelity as their custodian and for us to favor non-Fidelity NTF Shares over other types of investments. Mutual funds on the Fidelity NTF platform pay a fee to Fidelity to be on the platform. Paying this fee increases the expenses of the mutual fund. The funds' expenses are ultimately borne by the investors in the fund as part of the expenses of the mutual fund. When we select a NTF mutual fund, Clients pay a higher expense ratio within their mutual fund holdings, but have the concomitantly benefit of not paying transaction fees. When selecting investments for our clients we consider a mutual fund's expenses as one of many factors. When selecting investments, we consider the expenses of a mutual fund in conjunction with the costs associated with buying and selling a mutual fund that is not on the Fidelity NTF platform. For example, because the expense ratios of similar NTF mutual funds are higher than expense ratios of Transaction Fee (TF) mutual funds, we must consider not only the difference in expense ratios, but also the current cost of a transaction (commission), the implementation and exit strategies used, the size of a portfolio holding, the time period the investment will be held, and the performance of the individual mutual fund shares in the future, to determine whether a NTF mutual fund might be more advantageous than a TF mutual fund. If we assume that the difference in expense ratios of two similar mutual fund share classes is 25 basis points (0.0025), between a TF mutual fund and a NTF mutual fund, a portfolio position of greater than \$20,000, held for more than 365 days would benefit from the use of a Transaction Fee fund. The 25 basis point difference in expense ratios used in our example is common but not universal. A difference in expense ratios or a change in the fund's expenses in the future will yield a different result. At the time we purchase a particular mutual fund we have no guarantee or assurance that any of our assumptions will be accurate or come to pass. The future expense ratios, transaction costs, and performance of a particular mutual fund are not under our control and might change. A portfolio's ultimate investment position size and holding period are driven by our expectation of future financial markets, the economy and world events. Our estimates and predictions of the future will always be

inaccurate to some degree. Nevertheless, we will analyze whether a TF fund is available and if in our opinion should be used. While, smaller positions used in actively managed diversified portfolios are expected to benefit from the use of NTF mutual funds, we can never be sure of that expectation at the time a mutual fund is purchased. The CSSA and associated compensation create a conflict of interest as Compak has a financial incentive to use NTF funds in its investment process. This financial incentive creates a motivation for us to use NTF mutual funds in client portfolios when it is not in our clients' best interest.

In order to reduce and mitigate the inherent conflict of interest associated with the NTF vs. TF fund choice, starting October 1st, 2014, Compak Asset Management began passing on 100% of the revenue received from Fidelity under its current CSSA to our clients.

Currently Compak receives monthly from Fidelity (roughly \$10,000-\$15,000) for the back office services Fidelity expects Compak to perform relative to certain eligible mutual funds in client taxable accounts. Compak refunds these fees to clients quarterly in order to avoid sending a very large number of account credits/checks (approximately 400) each month, in some instances in amounts which would be considered negligible (only several dollars).

Therefore, because the non-qualified accounts will receive a rebate of the CSSA fees received by Compak from Fidelity, the analysis of holding period will change. When non-qualified accounts receive the rebate of CSSA fees, the analysis and decision as to whether to select a TF or a NTF fund will change. Assuming that 29 basis points of CSSA is received and the account does not pay a \$25 transaction charge for a purchase and a sale, the account will always be better off using mutual funds on the NTF list. CSSA fees are not paid to Compak with regard to tax qualified accounts and therefore there will not be a rebate to tax qualified accounts. As described above, Compak continues to analyze which share class is expected to be optimal for tax qualified accounts.

For example:

Non-tax qualified account holding mutual funds on the Fidelity NTF list with an estimated holding period of 1 year. The expense ratios of different mutual funds impacts the maximum transaction size analysis.

Mutual Fund Expense Ratio Difference (basis points)	17 bp	25 bp	33 bp
CSSA Payment received (basis points)	29 bp	29 bp	29 bp
Trading Cost (buy and a sell)	\$50	\$50	\$50
Holding Period	1 year	1 year	1 year
Maximum Transaction Size to benefit from a NTF	All Accounts	All Accounts	\$125,000

A shorter expected holding period increases the maximum transaction size that would benefit from the use of an NTF mutual fund, while a longer expected holding period would decrease the maximum transaction size that would benefit. If we assume that the difference

in expense ratios of two similar mutual fund share classes (i.e. the TF and NTF classes) is 33 basis points (0.0033) and the 29 basis points (.0029) CSSA Payment is received (.0033 - .0029 = .0004), between a TF mutual fund and a NTF mutual fund, a non-qualified portfolio position of greater than \$20,000, held for more than 2281 days would benefit from the use of a TF fund. Similarly if we assume the same facts, a non-qualified portfolio position of greater than \$125,000 held for more than 365 days would benefit from the use of a TF fund.

Compak has an incentive to recommend mutual funds on the Fidelity NTF list. Actively traded accounts, i.e. those with high turnover and/or short investment holding periods, will benefit from the use of NTF mutual funds because the account won't pay transaction fees on those transactions. This results in lower trading costs, and, if all other things remain equal, greater account performance. In addition, because of Compak's decision to remit the CSSA fees associated with NTF mutual funds to the client's account that generated the fees, the return of the CSSA fees will also increase client account performance. Compak benefits in two ways. By being able to lower cost for its managed accounts than firms not participating in the CSSA with Fidelity, Compak might have an advantage over its competitors. Because Compak charges an asset based management fee, a larger or faster growing client accounts financially benefit Compak.

While we always attempt to choose the right share class (NTF or TF) our selection process relies upon our estimates and expectations about the future. Inevitably some or all of the estimates we make and rely upon will be wrong. These incorrect assumptions will cause us to purchase the wrong share class (NTF or TF) on behalf of some of our clients. Choosing an incorrect share class means that clients will pay higher expenses than they would have had we had perfect knowledge and guarantees of the future and future events. In the case of incorrectly choosing an NTF share class, we will receive additional compensation while the client will pay higher expenses. The CSSA and associated compensation create a conflict of interest as Compak has a financial incentive to use NTF funds in its investment process. This financial incentive creates a motivation for us to use NTF mutual funds in client portfolios when it is not in our clients' best interest.

### **Additional Compensation**

The owners of Compak Asset Management and its Investment Advisor Representatives are also licensed as insurance agents. During the course of providing services to a client, they may recommend that you purchase, sell or hold an insurance product. Our Investment Advisor Representatives, when acting as insurance agents, will receive compensation usually based upon the size (premium amount) and/or type of insurance product when you choose to implement an insurance recommendation through our representative. The receipt of the fees and commissions creates a financial incentive for the Investment Advisor Representatives to recommend one investment choice or insurance product over another. This incentive creates a conflict of interest between you and Compak Asset Management where the Investment Advisor Representative has an incentive to recommend investment products based on the compensation received, rather than on your needs. You acknowledge that the Investment Advisor Representative and Compak Asset Management



will receive payment in addition to any investment advisory or financial planning fee(s) paid by you when you choose to implement an insurance recommendation through our representative. To address these conflicts, we review the costs and expenses associated with investments selected for, or recommended to, you to assure that the costs incurred are reasonable with respect to the services provided.

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

*This section of the brochure explains any performance-based fees we may charge you for and how they may be different from other clients' charges.*

### **Performance-Based Fees**

We don't charge an investment advisory fee that is directly based on the gains in your account. We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We will act in the best interests of each of our clients at all times.

## **Types of Clients (Item 7)**

*This section of the brochure describes who we generally provide our services to.*

We generally offer our investment supervisory services to clients who place assets with a value of at least \$150,000 under our management. We believe that \$150,000 is the minimum account value that can best take advantage of the full range of our analytical strategies. Accounts smaller than \$150,000 are normally only accepted and managed as Value Accounts. Value accounts are normally not accepted if the initial account value is less than \$50,000. At our discretion we may accept or retain accounts smaller than the stated minimum.

### **Individuals**

Compak Asset Management provides advisory services to a variety of types of clients including individuals, trusts, individual's pension plan accounts, and retirement plan trustees.

### **Pension Plans**

Compak Asset Management provides advisory services to a few pension plans. These services include recommendations to the plan which are then approved by the pension plan sponsor. In some cases we will serve as a discretionary advisor to the plan or plan participants. You are encouraged to ask your plan sponsor what services we are providing the plan.

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

*This section of the brochure explains how we formulate our investment advice and manage client assets.*

### **Methods of Analysis**

In accounts that use Compak's Mutual Funds & ETFs Strategies, Compak may use the strategies of "Asset Allocation" and "Portfolio Optimization" on behalf of our clients. We believe that by allocating assets among various classes of investments, we can enhance or optimize your investment returns, especially when compared to a portfolio that consists only of one asset class. These investment strategies attempt to find a balance between risk and return for our clients using historical performance of each asset class as a guide. Compak uses market timing strategies, fundamental and technical analyses, and information obtained from you to develop the investment strategy that we believe will provide you with the greatest potential return consistent with your risk tolerance. The asset allocation or make up of the client portfolio will change from time to time depending upon the stock market, overall economy and the decisions of Compak Asset Management.

In accounts that use Compak Customized Portfolio Strategies, a combination of fundamental and technical analysis is used to choose and monitor securities. Because both these techniques use historical information in an attempt to draw conclusions about the future performance of investments, there is a risk that past performance will not be indicative of the future. These strategies might not use Asset Allocation or Portfolio Optimization.

#### **Fundamental**

We analyze an investment by examining its publicly available financial statements or reports, its management, competitive advantages, competitors, and markets. We attempt to identify investments that are selling for less than their intrinsic worth. Our fundamental analysis method is based upon the assumption that markets may misprice an investment in the short run but that the "correct" price will eventually be reached.

#### **Technical**

As part of our analysis of investments, we use a method called Technical Analysis. Technical Analysis is a security analysis method with the goal of forecasting the direction of prices of securities or market indexes, through the study of past market data, primarily price and volume. We use market indicators to help assess whether an asset's price is trending in a particular direction, and if it is, the probability of its direction and of continuation. We also use research materials prepared by others.

## Investment Strategies

### **Compak Customized Portfolio Strategy**

Compak manages some client portfolios using a strategy it calls the Compak Customized Portfolio Strategy. We only recommend this strategy to clients that we feel it is suitable for. Clients that choose to have us use this strategy will direct us in writing, normally in the written investment advisory agreement or addendum. There are three different types of portfolios that use this strategy, the Growth and Income Portfolio, the Growth Equity Portfolio, and the Dividend Growth Portfolio. In addition to the general risks described below, the Compak Customized Portfolio Strategy has several specific risks. Because the Compak Customized Portfolio Strategy will hold individual equities, undiversified Exchange Traded Funds (ETFs), and individual fixed income investments, the portfolios may not be as diversified as other Compak investment strategies. We expect that the Growth and Income Portfolio, the Growth Equity Portfolio, and the Dividend Growth will be more volatile than the general stock market and other Compak investment strategies. The Compak Customized Portfolio Strategy will be periodically rebalanced or reallocated and these changes in the portfolio will generate trading commissions and costs that the client will incur. Compak may raise a significant amount of cash in these portfolios as a risk management strategy. These trading costs associated with the Compak Customized Portfolio Strategy might be higher than other Compak strategies.

#### *Growth and Income Portfolio - Compak Customized Portfolio Strategy*

Compak Customized Growth and Income Portfolio Strategy will use a combination of individual equity securities, bonds, mutual funds, exchange traded funds (ETFs) and cash. It should be anticipated that this strategy will have volatility (positive and negative price changes) and there is a risk that investors may lose investment principal. The Compak Customized Growth and Income Portfolio Strategy's goal is to provide capital appreciation and some income. The strategy's portfolio allocation between different investment types and asset classes will vary over time because of differences in the performance of individual investments and allocation decisions made by Compak's Investment Committee. This strategy might be appropriate for investors with a "moderate" risk profile. Depending on a client's risk profile, Compak may alter the allocation among equities and fixed income. Compak may raise a significant amount of cash in these portfolios as a risk management strategy.

#### *Growth Equity Portfolio - Compak Customized Portfolio Strategy*

Compak Customized Growth Equity Portfolio Strategy will use a combination of individual equity securities, mutual funds, exchange traded funds (ETFs) and cash. It should be anticipated that this strategy will have significant volatility (positive and negative price changes) and there is a risk that investors might lose investment principal. The Compak Customized Growth Equity Portfolio Strategy's goal is to provide capital appreciation. The strategy's portfolio allocation between different investment types and asset classes will

vary over time because of differences in the performance of individual investments and allocation decisions made by Compak's Investment Committee. Compak may raise a significant amount of cash in these portfolios as a risk management strategy. This strategy is only appropriate for investors with a "very aggressive" risk profile.

#### *Dividend Equity Portfolio - Compak Customized Portfolio Strategy*

The "Dividend Equity Portfolio" will use a combination of individual equity securities, mutual funds, exchange traded funds (ETFs) and cash. The "Dividend Equity Portfolio" will use the Dow Jones U.S. Select Dividend Index as its benchmark and expects the portfolio's volatility to be greater than the benchmark. The "Dividend Equity Portfolio Strategy's" goal is to provide capital appreciation and some dividend income. This strategy is only appropriate for investors with a "Very Aggressive" risk profile. In an attempt to outperform the benchmark on risk and return basis, the firm invests in asset classes and sectors that may not be included in the benchmark. It should be anticipated that this strategy will have significant volatility (positive and negative price changes) and there is a risk that investors may lose investment principal. The strategy may invest in foreign investments that bring the risk of changes in the relative value of currencies. Compak may raise a significant amount of cash in these portfolios as a risk management strategy. The strategy's portfolio allocation between different investment types and asset classes will vary over time because of differences in the performance of individual investments and allocation decisions made by Compak's Investment Committee.

#### **Compak Mutual Funds & ETFs Portfolios**

Compak manages some client portfolios using a strategy it calls the Compak Mutual Funds & ETFs Portfolio Strategy. There are four broad strategies which include; Very Aggressive Strategy, Aggressive Strategy, Moderate Strategy, and Conservative Strategy. Though Compak primarily invests in mutual funds and ETFs, we may also invest client assets in equity and debt securities. Based on market expectation, Compak may keep a significant portion of assets in cash. We attempt to generate higher returns than the benchmark at lower volatility.

We believe asset allocation decisions play an important role in contributing the Mutual Funds & ETFs Portfolio's performance. Compak Asset Management uses a two-stage process to create an investment portfolio for clients that it believes will provide reasonable risk-adjusted returns. The first stage uses a "top-down" approach to determine the percentage of an investment portfolio's assets to be allocated to one or more broad asset classes including, but not limited to:

- U.S. equity
- international equity
- emerging markets
- fixed income
- commodity-related and real-estate related securities

In arriving at our targeted asset allocation, we consider a variety of quantitative and qualitative data with respect to U.S. and foreign economies and securities markets.

Unless you specifically impose written restrictions, we are not required to maintain any minimum or maximum investment in any asset class, and we may at times invest more than 25% of your portfolio's assets in an asset class. We will periodically adjust the targeted asset allocation.

The second stage implements our targeted asset allocation by using technical analysis to select investments for a client's portfolio. We use technical screens to select investments that we believe will provide reasonable risk-adjusted returns within each targeted asset class. Our selections are formed by a proprietary technical model that screens investments based on a number of factors including, among others, an investment's market volatility, moving average, and sentiment indicators (such as consumer confidence). Commodities exposure may be gained through use of commodity-based ETFs and mutual funds. These include both actively-managed and passive commodity funds. These commodity funds could represent a single commodity (e.g. gold), commodity sector (e.g. metals), or diversified funds investing in all commodities. Commodity funds include ETFs that target widely-used commodity indices such as the Goldman Sachs Commodity Index or the Dow Jones – AGI Commodity index.

#### *Very Aggressive Strategy – Mutual Funds & ETFs Portfolios*

The Very Aggressive Strategy is a general strategy that will vary on client situation (e.g. Account Registration or Account Type) and the recommendations of the Investment Committee. This strategy will primarily be invested in Mutual Funds, ETFs, and Cash. The "Very Aggressive" investment strategy will normally have asset mixes that have significant volatility in their value or risk, and may provide higher potential returns, with a corresponding greater uncertainty and potential for loss of principal. The benchmark for the "Very Aggressive Strategy" is the S&P500. The portfolio's goal is to generate higher returns than the benchmark while experiencing lower volatility. In an attempt to outperform the benchmark on risk and return basis, the firm invests in asset classes and sectors that may not be included in the benchmark. Only investors who have a "Very Aggressive" level of risk tolerance and are willing to accept a substantial amount of market risk and volatility (loss of principal) for the pursuit of potentially high investment returns should select this investment goal. Compak may raise a significant amount of cash in these portfolios as a risk management strategy.

#### *Aggressive Strategy– Mutual Funds & ETFs Portfolios*

The Aggressive Strategy is a general strategy that will vary on client situation (e.g. Account Registration or Account Type) and the recommendations of the Investment Committee. This strategy will primarily be invested in Mutual Funds, ETFs, and Cash. The "Aggressive" investment strategy will normally have asset mixes that are designed to produce more volatility in their value or risk, and may provide higher potential returns, with a corresponding greater uncertainty and potential for loss of principal. The benchmark for the "Aggressive Strategy" is composed of 80% S&P500 and 20% Barclays Capital US

Aggregate Index (Formerly Lehman Brothers Aggregate Bond Index). This portfolio's goal is to generate higher returns than the benchmark while experiencing lower volatility. In the attempt to outperform the benchmark on risk and return basis, the firm invests in asset classes and sectors that may not be included in the benchmark. Investors who have an "Aggressive" level of risk tolerance are willing to accept a substantial amount of market risk and volatility (loss of principal) for the pursuit of potentially high investment returns. Compak may raise a significant amount of cash in these portfolios as a risk management strategy.

#### *Moderate Strategy– Mutual Funds & ETFs Portfolios*

The Moderate Strategy is a general strategy that will vary on client situation (e.g. Account Registration or Account Type) and the recommendations of the Investment Committee. This strategy will primarily be invested in Mutual Funds, ETFs, and Cash. The "Moderate" investment strategy focuses on reducing risk or the volatility of the value of the portfolio. Investors who have a moderate level of risk tolerance are willing to accept relatively lower portfolio returns in exchange for lower market risk and volatility. The benchmark for the Moderate Strategy is composed of 70% S&P500 and 30% Barclays Capital US Aggregate Index (Formerly Lehman Brothers Aggregate Bond Index). The goal of the Moderate Strategy is to attempt to generate higher returns than the benchmark while experiencing lower volatility. In an attempt to outperform the benchmark on risk and return basis, the firm invests in asset classes and sectors that may not be included in the benchmark. A "Moderate" investment goal portfolio is anticipated to have a lower potential for long-term gains and losses than an "Aggressive" or "Very Aggressive" portfolio and more potential for long-term gains and losses than a "Conservative" portfolio. There is still the risk of loss of principal with a Moderate investment goal. Compak may raise a significant amount of cash in these portfolios as a risk management strategy.

#### *Conservative Strategy– Mutual Funds & ETFs Portfolios*

The Conservative Strategy is a general strategy that will vary on client situation (e.g. Account Registration or Account Type) and the recommendations of the Investment Committee. This strategy will primarily be invested in Mutual Funds, ETFs, and Cash. The "Conservative" investment strategy will normally have an asset mix of investments that are expected to have a lower level of risk or volatility, than the "Very Aggressive", "Aggressive" or "Moderate" portfolios. The benchmark for the "Conservative Strategy" is composed of 60% S&P500 and 40% Barclays Capital US Aggregate Index (Formerly Lehman Brothers Aggregate Bond Index). The goal of the "Conservative Strategy" is to generate higher returns than the benchmark at lower volatility. In an attempt to outperform the benchmark on risk and return basis, the firm invests in asset classes and sectors that may not be included in the benchmark. Conservative investors are willing to accept relatively low investment returns in return for a reduced amount of risk and volatility. There is still the risk of loss of principal with a Conservative investment goal. Compak may raise a significant amount of cash in these portfolios as a risk management strategy.

## **Special Situation Accounts**

Special Situation Accounts may deviate from Compak Customized Portfolio Strategy and Compak Mutual Funds & ETFs Portfolios models. Compak may create specific portfolios that are customized to a client's specific request or direction. These requests may include restrictions of certain investments based on type, sector, company, or religious/moral beliefs (alcohol producing companies, gambling companies, etc.). These accounts may also deviate from the client's risk profile due to current or future financial goals (expected large expense, liquidity, concentrated stock positions, etc.). Compak will discuss each client's preferences and will endeavor to develop a portfolio strategy that is in line with their moral/religious beliefs or special current/future financial goal as they have described them to Compak.

Special Situation accounts may also include investments that may be considered "Socially Responsible" or conform to the religious or moral beliefs of the client. All Special Situation accounts might not be diversified because of restrictions placed by the client and the unique risk based on the client's specific goals. This type of account may have significantly higher risk and volatility due to the lack of diversification (i.e., client might restrict the use fixed income, diversified ETFs and mutual funds which may significantly affect the portfolio's allocation).

## **Options Strategies**

In some accounts, Compak may use option strategies as a part of a client's portfolio. Options strategies such as covered calls writing, purchases of calls/puts, and purchases of straddles/combinations may be used. The primary goals of the option strategies are to maximize income from a concentrated position or attempt to reduce downside risk on a specific security.

Accounts that use options will complete a separate options agreement with the custodian/broker. The client should carefully read the associated risks on the broker option agreement and the book "Characteristics and Risks of Standardized Options" (<http://www.optionsclearing.com>) before investing. Clients may also be required to complete a margin agreement with the custodian/broker.

Account performance may decline with options strategies and may not achieve the goal of the client. Some factors that may contribute to account performance are the overall market conditions, options time frame, or the underlining company performance of the option. There are trading fees, commissions, and possible margin interest associated with options strategies which are not included in and in addition to Compak's management fees. These trading costs are paid directly to the options broker. Trading costs will have a negative impact on the accounts performance.

### Tactical Asset Allocation

As part of our investment strategy we adjust a portfolio's asset allocation. Our goal in using Tactical Asset Allocation is to improve the risk-adjusted returns of an investment portfolio when compared with other investment strategies. We modify our asset allocation advice according to our opinion of the valuation of the markets in which our clients are invested. We attempt to adjust our asset allocation advice to over-weight or focus on a market or sector of the market that we feel will perform better than others. We strive to buy investments with the goal of holding them as long-term investments, but we might recommend you sell a particular investment if, in our opinion, it is no longer in your best interest to hold. Based on our future expectations we will move in and out of certain sectors and may from time-to-time even keep a significant portion of your assets in cash.

### Negatively Correlated Investment Risk

Negatively correlated investments might be used in your investment portfolio. Negatively Correlated Investments are designed to perform in a manner opposite to that of a particular market index, on a given day (i.e., go up when the market index goes down). The investments do not guarantee any specific performance and might fail to achieve their goal. If these investments are held for more than one day, their performance will diverge from their goal because of internal factors. If leverage is used within a negatively correlated investment, as in the case of a mutual fund or Exchange Traded Fund, the positive or negative performance will be amplified as well as the divergence risk when the investment is held more than one day. Compak might direct that your investment portfolio hold negatively correlated investments for more than one day.

### Investment Committee

Compak Asset Management provides investment supervisory services under the careful guidance and supervision of our Investment Committee ("IC") and through its various Investment Advisor Representatives. The IC is comprised of Moez Ansari (CEO), Feroz Ansari (Senior Principal & Portfolio Manager), and Javaid Ansari,. Each Investment Advisor Representative, when meeting with a prospective advisory client, will obtain information from the client concerning his or her financial and tax status, prior investment experience, risk tolerance, and financial objectives.

### Investment Process

We may invest a substantial portion of client portfolios in investment companies including mutual funds and exchange traded funds or "ETFs". We may invest client portfolios in equity securities, including those of small capitalization companies, investment grade and high yield fixed-income securities with maturities ranging from 3 months to 30 years, currencies and commodity-related and real-estate related securities and derivative instruments (options, futures and forward contracts) as well as cash. We may also pursue our investment objectives by investing directly in individual U.S. equities, foreign equities, U.S. government securities, domestic, foreign and emerging market bonds when circumstances warrant. We may invest a client's entire portfolio in foreign securities, including emerging market securities. Compak may raise cash in clients' portfolios as a risk management strategy. We may engage in active trading, which might cause high portfolio



turnover. We will not consider portfolio turnover a limiting factor in making decisions for a client's portfolio.

We consider a client's risk profile when making investment recommendations. Risk profile will be based upon an in-depth evaluation of your financial goals, objectives, and risk tolerance. Risk tolerance may be measured using Compak's Investor Information: Client Profile & Investment Goal questionnaire. Compak may also utilize the third party Riskalyze software program to assist in determining the clients risk tolerance profile. For existing clients it is recommended that a follow up risk assessment be done if circumstances or their financial status changes. You should review this information occasionally and inform us, in writing, of any changes.

## **Risks**

### General Risks to Investing

Investing is not without risk, and involves the risk of loss of principal which you should be prepared to bear. We use several strategies to try to reduce risk, including (i) diversifying a portfolio across multiple asset classes; (ii) buying securities we believe are undervalued; (iii) closely monitoring the portfolio for changes in fundamentals; and (iv) using technical analysis, which emphasizes selling securities or asset classes.

Despite these strategies, historical evidence clearly shows that every asset class has experienced severe declines in value—sometimes sustained over many years—throughout several periods of time in history. In addition, each of our strategies to minimize risk may not achieve that goal as (i) the benefits of diversification decline if asset classes become more correlated; (ii) determining valuation depends on accurately forecasting outcomes that may ultimately differ with our projections; (iii) security prices can change materially when exchanges are closed due to company-specific news or changes in macroeconomic or geopolitical conditions; and (iv) following technical indicators could lead to frequent trading.

Frequent trading can affect investment performance several ways, including: (i) generating excessive trading commissions; (ii) experiencing holding periods of less than 12 months that lead to gains taxed at higher, earned income tax rates rather than at lower, capital gains tax rates, and (iii) limiting the ability of a security to record multiple years of compounding, which is an important element to achieving favorable long-term portfolio returns.

As with any investment, you could lose all or part of your investments managed by Compak Asset Management, and your account's performance could trail that of other investments.

### Asset Class Risk

Securities in your portfolio(s) or in underlying investments such as mutual funds may underperform in comparison to the general securities markets or other asset classes.

### Concentration Risk

To the extent that Compak Asset Management recommends portfolio allocations that are concentrated in a particular market, industry or asset class, your portfolio may be susceptible to loss due to adverse occurrences affecting that market, industry, or asset class.

### Equity Securities Risk

Equity securities are subject to changes in value that may be attributable to market perception of a particular issuer or general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than other types of investments.

### Growth Securities Risk

Growth companies are companies whose earnings growth potential appears to be greater than the market, in general, and whose revenue growth is expected to continue over an extended period. Stocks of growth companies or “growth securities” have market values that may be more volatile than those of other types of investments. Growth securities typically do not pay a dividend.

### Issuer Risk

Your account’s performance depends on the performance of individual securities in which your account invests. Any issuer may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, disruptions in supply, labor problems or shortages, corporate restructurings, fraudulent disclosures, or other factors. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

### Management Risk

The performance of your account is subject to the risk that our investment management strategy may not produce the intended results.

### Market Risk

Your account could lose money over short periods due to short-term market movements and over longer periods during market downturns. The value of a security may decline due to general market conditions, economic trends, or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

### Market Trading Risks

Your investment account faces numerous market trading risks, including the potential lack of an active market for investments held in your account and losses from trading in secondary markets.

### Passive Investment Risk

Compak Asset Management may use a passive investment strategy that is not actively managed where we do not attempt to take defensive positions in declining markets.

### Larger Company Securities Risk

Securities of companies with larger market capitalizations may underperform securities of companies with smaller and mid-sized market capitalizations in certain economic environments. Larger, more established companies might be unable to react as quickly to new competitive challenges, such as changes in technology and consumer tastes. Some larger companies may be unable to grow at rates higher than the fastest growing smaller companies, especially during extended periods of economic expansion.

### Leverage Risk

Certain transactions may give rise to a form of leveraging, including borrowing. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed-delivery, or forward-commitment transactions. The use of derivatives may also create leverage. The use of leverage may cause a portfolio to liquidate portfolio positions when it may not be advantageous to do so. Leveraging may make a portfolio more volatile than if the portfolio had not been leveraged. This is because leverage tends to increase a portfolio's exposure to market risk, interest rate risk, or other risks by increasing assets available for investment. In addition, many leveraged and inverse funds & ETFs are reset daily, meaning they are designed to achieve their stated objectives on a daily basis.

### Liquidity Risk

A security may not be able to be sold at the time desired without adversely affecting the price.

### Smaller Company Securities Risk

Securities of companies with smaller market capitalizations, historically, tend to be more volatile and less liquid than larger company stocks. Smaller companies may have no or relatively short operating histories, or be newly public companies. Some of these companies have aggressive capital structures, including high debt levels, or are involved in rapidly growing or changing industries, or new technologies, which pose additional risks.

### Value Style Investment Risk

Value stocks can perform differently from the market as a whole and from other types of stocks. Value stocks may be purchased based upon the belief that a given security may be out of favor. Value investing seeks to identify stocks that have depressed valuations, based upon a number of factors which are thought to be temporary in nature, and to sell them at superior profits when their prices rise when the issues which caused the valuation of the stock to be depressed are resolved. While certain value stocks may increase in value more quickly during periods of anticipated economic upturn, they may also lose value more quickly in periods of anticipated economic downturn. Furthermore, there is a risk that the factors which caused the depressed valuations are longer term or even permanent in nature, and that there will not be any rise in value. Finally, there is the increased risk that such companies may not have sufficient resources to continue as ongoing businesses, which may result in the stock of such companies becoming worthless.

### Negatively Correlated Investment Risk

Negatively correlated investments are designed to perform in a manner opposite to that of a particular market index, on a given day (i.e., go up when the market index goes down). The investments do not guarantee any specific performance and may fail to achieve their goal. If these investments are held for more than one day, their performance will diverge from their goal because of internal factors.

#### Leveraged Mutual Funds & ETFs

Leveraged mutual funds & ETFs seek to deliver multiples of performance of the index or benchmark they track. While the use of leverage can potentially help generate additional gains, it also increases the chances that returns may be significantly worse than the decline in the value of the underlying index or benchmark. In addition, the use of borrowing or other forms of leverage provides the potential for greater gains and losses than those of the underlying index. In addition, many leveraged and inverse funds & ETFs are reset daily, meaning they are designed to achieve their stated objectives on a daily basis.

#### Negatively Correlated and Leveraged Funds & ETFs

Some funds are both negatively correlated and leveraged, which means that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark. We consider these funds speculative and only use them as part of an actively managed portfolio strategy. In addition, many leveraged and inverse funds are reset daily, meaning they are designed to achieve their stated objectives on a daily basis. Due to the compounding of daily returns, leveraged and inverse funds' returns over periods other than one day will likely differ in amount and possibly direction from the benchmark return for the same period. This means that if we choose to hold these leveraged negatively correlated funds in your portfolio for greater than one day their performance is expected to diverge from their daily performance goal.

#### Interest Rate Risk

An increase in interest rates may cause the value of fixed income securities and funds that hold these securities to decline in value. Securities with longer durations tend to be more sensitive to interest rate changes, usually making them more volatile than securities with shorter durations. To the extent that your account is invested in fixed income securities with longer-term durations or funds holding these securities, rising interest rates may cause the value of these investments to decline significantly.

#### Derivatives Risk

The use of derivatives such as futures, options, and swap agreements can lead to losses, including those magnified by leverage, particularly when derivatives are used to enhance return rather than offset risk.

#### Satisfaction Guarantee Risk

Because we provide a twelve month "Satisfaction Guarantee" to new clients where we will refund our fees if a new client is dissatisfied for any reason with our services we have a financial incentive to assure clients are satisfied with our services for the first twelve months. This satisfaction guarantee relating only to new clients in the first twelve months creates an incentive to favor a new client over an existing client should a situation arise

where a product, service, or opportunity cannot be provided to all of our clients simultaneously. We recognize this conflict and strive to treat all of our clients equally.

## **Disciplinary Information (Item 9)**

*This section of the brochure lists legal and disciplinary information for Compak Asset Management, its owners, and management team.*

Neither Compak Asset Management nor any of our owners or management team members has been involved in any civil or criminal investment-related events that must be disclosed by SEC Registered Advisors in this document.

However, state regulators require that all formal investigations and disciplinary actions taken by regulators, customer disputes, certain criminal charges and/or convictions, as well as any Investment Advisor Representative's financial disclosures, such as bankruptcies and unpaid judgments or liens, be filed with FINRA. If this type of information would be material to your decision to do business with Compak Asset Management please refer to FINRA's Broker Check at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for more information about the Investment Advisor Representative's you are evaluating.

## **Other Financial Industry Activities and Affiliations (Item 10)**

*This section of the brochure describes other financial services industry affiliations we may have that could present a conflict of interest with you.*

We want you to know that Compak Asset Management is affiliated through common ownership and control with Compak Securities, Inc. This relationship might give rise to conflicts of interest, or the appearance of conflicts of interest.

### **Compak Securities, Inc.**

Compak Securities Inc. is registered as a broker dealer with the United States Securities and Exchange Commission and the Financial Industry Regulatory Authority. We might recommend that clients purchase investment products such as variable annuities through our affiliate Compak Securities, Inc.

Compak Asset Management staff will from time to time recommend investments that may include variable annuities, fixed annuities, life insurance, long-term care insurance etc. Any investments or allocation made to these different investment products will only be made with your written approval. These other investments are not covered by the investment advisory agreement you enter into with us. Because these products are offered by our affiliates, you will not receive the level of "fiduciary" care (unless mandated by another regulatory organization) as in the case of your investment advisory accounts with Compak Asset Management. Each of these investment products and our affiliated entities are regulated by a separate entity with specific rules and regulations. Our affiliated entity

might not have a fiduciary relationship with you and because of their compensation might have material conflicts of interest with you.

## **Fidelity**

Compak Clients do not pay a separate sales commission when a purchase of sale transaction is made of a mutual fund on the NTF list. Funds on the NTF list pay a fee to Fidelity to be on the NTF list. As described in Item 5 of this document, Compak Asset Management has entered into an "Investment Advisor Custodial Support Services Agreement" with Fidelity, where Compak Asset Management is responsible for providing administrative and support services for Fidelity accounts. In return for these services, on a monthly basis, Fidelity pays Compak Asset Management a portion of applicable client non-retirement assets in custody with Fidelity. The amount of mutual funds on the NTF list held by Compak clients affects the amount of compensation received by Compak. The receipt of compensation under the Support Services Agreement creates a financial incentive for Compak Asset Management to recommend Fidelity as the custodian of client assets and to invest those assets in mutual funds on the NTF list over other possible investments. The financial incentive creates a conflict of interest between Compak Asset Management and you. Compak Asset Management has taken steps to reduce and mitigate this conflict. See Item 5.

Fidelity Investments is an independent company, unaffiliated with Compak Asset Management. Fidelity Investments is a service provider to Compak Asset Management. There is no form of legal partnership, agency affiliation, or similar relationship between your financial advisor and Fidelity Investments, nor is such a relationship created or implied by the information herein. Fidelity Investments has not be involved with the preparation of the content supplied by Compak Asset Management and does not guarantee or assume any responsibility for, its content. Fidelity Investments is a registered service mark of FMR LLC. Fidelity Clearing & Custody Solutions provides clearing, custody, and other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC.

## **Registered Representatives**

Our Investment Advisor Representatives may also be Registered Representatives of our affiliated broker-dealer Compak Securities, Inc. As described in Item 4, these Registered Representatives will receive commission-based income if you choose to implement securities transaction through the representatives and Compak Securities, Inc.

## **Insurance Agents**

Compak Asset Management's Investment Advisor Representatives may provide advice about matters other than securities. Our Investment Advisor Representatives may also act as insurance agents. As insurance agents, they will receive compensation based upon whether or not, and in what amount, clients purchase insurance products through them. We have an arrangement with a non-affiliated insurance broker, CPS Insurance Services or Gradiant for insurance brokerage services.

## **Referral Arrangements**

Compak Asset Management has arrangements with the following entities to give and/or receive client referrals with the following entities that offer estate planning services. We do not share any portion of investment advisory fees or commissions with these entities nor do they share any fees or compensation with us.

- Hess Verdon and Associates
- Brown & Streza
- Gokal Law Offices
- Sacks Tierney P.A. Attorneys

## **Other Relationships**

Compak Asset Management has relationship with the following entities for clients interested in retirement plan administration and ERISA consulting. We do not share any portion of investment advisory fees or commissions with these entities.

- CMC Interactive LLC
- PlanPerfect

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

*This section of the brochure describes our code of ethics, adopted pursuant to SEC rule 204A-1, and how we deal with client and related person trading.*

### **Code of Ethics**

We have adopted a code of ethics designed to prevent and detect violations of securities rules by our employees and affiliated persons. Our controls in this area focus upon securities transactions made by our employees that have access to material information about the trading of Compak Asset Management. We will provide a copy of our code of ethics to clients or prospective clients upon request.

### **Material Financial Interest and Personal Trading**

From time-to-time the interests of the principals and employees of Compak Asset Management may coincide with yours and other clients. Individual securities may be bought, held, or sold by a principal or employee of Compak Asset Management that is also recommended to or held by you or another client. If potential insider information is inadvertently provided or learned by a principal or employee, it is our policy to strictly prohibit its use.

It is the policy of Compak Asset Management to permit the firm, its employees, and Investment Advisor Representatives to buy, sell, and hold the same securities that the Investment Advisor Representatives also recommend to clients. It is acknowledged and understood that we perform investment services for different types of clients with varying

investment goals, risk profiles, and time horizons. As such, the investment advice offered to you may differ from other clients and investments made by our Investment Advisor Representatives. We have no obligation to recommend for purchase or sale a security that Compak Asset Management, its principals, affiliates, employees, or Investment Advisor Representatives may purchase, sell, or hold. When a decision is made to liquidate a security from all applicable accounts, priority will always be given to client orders before those of a related or associated person to Compak Asset Management. In some cases the trades of the clients and advisory personnel will be combined in a single block trade, and all trades will receive the average price. We have procedures for dealing with insider trading, employee-related accounts, “front running” and other issues that might present a conflict when buy/sell recommendations are made. These procedures include reviewing employee security transactions and holdings to eliminate, to the extent possible, the adverse effects of conflicts of interest on clients.

## **Brokerage Practices (Item 12)**

*This section of the brochure describes how we recommend broker-dealers for client transactions.*

### **Factors Considered When Recommending Broker-Dealers**

We require that clients use Fidelity as their qualified custodian and/or broker-dealer, unless client's securities or investments cannot be custodied with Fidelity. When we make this recommendation, we consider:

- capitalization
- reasonableness of commissions and other costs of trading
- ability to facilitate trades
- access to client records
- computer trading support
- other operational considerations

These factors are reviewed from time to time to assure the best interests of our clients are upheld. We might not provide portfolio management services to client accounts not held at Fidelity

### **Research and Other Benefits**

In most situations, we require that clients establish brokerage accounts with a specific custodian, Fidelity Institutional Brokerage Group (“Fidelity”) to maintain custody of clients’ assets and to execute trades for your account(s). The Custodian provides us with access to its institutional trading and operations services, which are typically not available to retail investors. These services are offered to independent investment advisors at no charge in exchange for keeping a minimum amount of account assets at the Custodian. The Custodian’s services include research, brokerage, and custody. The Custodian offers access to mutual funds and other investments that are available only to institutional investors or require a significantly higher minimum investment. The Custodian also makes other



products and services available that benefit us but may not benefit our clients. Some of these other products and services help us manage and administer client accounts, and include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide research, pricing information, and other market data
- facilitate payment of our fees from your account(s)
- help with back-office support, recordkeeping, and client reporting

These services may be used with all or a substantial number of clients' accounts, including accounts not maintained at the Custodian. We do not attempt to allocate the benefit to accounts proportionately to the accounts that generate the benefit.

Some of the products or services provided by the Custodian do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, including those services that do not aid in investment decision-making or trade execution. These business management and development services, in addition to those listed above, include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Custodian may use independent third parties to offer these services to Compak Asset Management. The Custodian may discount or waive fees it would otherwise charge for some of these business management and development services or pay all or a part of the fees of a third-party providing these services to us. Because we receive discounts, research, products, or services we have an incentive to select or recommend a broker-dealer based on our interest in receiving the research, products, or services, rather than on the client's interest in receiving most favorable execution. The Custodian or broker-dealer recommended by Compak Asset Management may charge commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for services and benefits.

Some Custodians, such as Fidelity have agreed to pay us compensation based upon the value of Non Transaction Fee (NTF) mutual funds that our clients hold at Fidelity. Recently this amount is approximately 29 basis points (0.0029). As described in the Fees and Compensation section of this document (Item 5), we have begun accounting for and returning this compensation to the client accounts that originally generated the fee in the calendar quarter following their collection by Fidelity.

#### Sponsorship

In addition to the products and services described above, Fidelity also sponsors educational events or presentations on investment related topics. Fidelity's financial support and sponsorship of the events is not contingent upon the success of the event or revenue generated by Compak or Fidelity. Fidelity's sponsorship does not suggest or convey Compak's approval, endorsement, certification, acceptance, or referral of any product or service of Fidelity.

### Brokerage for Client Referrals

Compak Asset Management does not have any agreements in place where securities transactions are directed to particular broker-dealers in exchange for client referrals.

### Directed Brokerage

If you direct Compak Asset Management to execute securities transaction at a broker-dealer other than one we use for our other clients you will forgo any benefit from savings on execution costs that we may have obtained through our negotiation of volume discounts or batched orders. In directing the use of a particular broker-dealer, it should be understood that we will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. You may incur higher commissions, other transactions costs, greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case had you used a broker-dealer we prefer.

### Aggregated Orders

When we decide to purchase or sell a specific security for multiple clients at the same time, we will consider aggregating, or combining the orders. This procedure will result in a single average price for all client transactions in the aggregated order. The account custodian charges for each transaction as if it were placed individually.

### Allocation of Thinly Traded Securities

Compak Asset Management may allocate securities among accounts when enough of a particular security or securities cannot be purchased or sold on a given day at a desired price. In this event, we will allocate the shares actually purchased or sold on pro rata basis. We may remove small allocations from the process if we believe it would not be in the best interest of our client(s).

### Trade Error Policy – Alternate Using Error Account

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will be placed in our account. If a loss occurs, we will pay for the loss from our own funds. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **Review of Accounts (Item 13)**

*This section of the brochure describes how often client accounts are reviewed and by whom.*

### **Reviews**

The Investment Committee (IC) reviews the individual security investments held by Compak Asset Management's managed accounts on a regular and ongoing basis. The

Investment Committee is headed by Moeez Ansari (CEO. Managed investment advisory accounts are assigned to one or more Investment Advisors Representatives of Compak who review the accounts on an ongoing basis at the direction of the Investment Committee to see that the accounts continue to conform to the investment strategy selected by the client in an effort to reach the client's goals. The Investment Committee continues to direct the strategies that are applied to client's accounts though the ongoing review of the Investment Advisors Representatives.

Financial plans are reviewed only upon request unless you retain us to update the plan on a continuous basis.

## **Reports**

Compak Asset Management does not prepare or send written reports to all clients. We have arranged for your independent qualified account custodian, typically Fidelity Institutional Brokerage Group ("Fidelity"), to prepare and distribute account statements directly to you. These account statements describe all activity in your accounts including account holdings, transactions, and investment advisory fees deducted from the account.

## **Client Referrals and Other Compensation (Item 14)**

*This section of the brochure discloses our arrangements with people who are compensated for referring us business.*

### **Referral Relationships**

#### **Participation in Fidelity Wealth Advisor Solutions®.**

Compak Asset Management ("Compak") participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which Compak receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. Compak is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control Compak, and SAI has no responsibility or oversight for Compak's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for Compak, and Compak pays referral fees to SAI for each referral received based on Compak's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to Compak does not constitute a recommendation or endorsement by SAI of Compak's particular investment management services or strategies. More specifically, Compak pays the following amounts to SAI for referrals: for referrals made prior to April 1, 2017, an annual percentage of 0.20% of any and all assets in client accounts; for referrals made after April 1, 2017, the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by SAI and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition,

Compak has agreed to pay SAI a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Compak and not the client.

To receive referrals from the WAS Program, Compak must meet certain minimum participation criteria, but Compak may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, Compak has a conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and Compak has an incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Compak as part of the WAS Program. Under an agreement with SAI, Compak has agreed that Advisor will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, Compak has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when Compak's fiduciary duties would so require, and Compak has agreed to pay SAI a one-time fee equal to 0.75% of the assets in a client account that is transferred from SAI's affiliates to another custodian; therefore, Compak may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit Compak's duty to select brokers on the basis of best execution.

## **Custody (Item 15)**

*This section of the brochure encourages you to check the statements sent to you by your account custodian to ensure the accuracy of the fee calculation.*

You have authorized us to deduct periodic investment advisory fees directly from one or more of your accounts managed by Compak Asset Management. These deductions from your account are shown on the periodic statements sent by your qualified custodian directly to you. You are encouraged to review these statements carefully and compare the amounts on the custodian statements with any statements we send and the fee schedule outlined in your Investment Advisory Agreement.

## **Investment Discretion (Item 16)**

*This section of the brochure discloses the power we have to make trades in your account.*

You grant Compak Asset Management a limited power of attorney to select, purchase, or sell securities without obtaining your specific consent within the account(s) you have under our management. The limited powers of attorney are granted in the written Investment Advisory Agreement entered into between us. There are no restrictions upon

the securities that may be purchased, sold, or held in your account unless you provide these restrictions to us in writing.

## **Voting Client Securities (Item 17)**

*This section of the brochure explains our proxy voting policy and your ability to get proxy voting information from us.*

Compak Asset Management does not vote proxies for securities held in your investment account. Your account custodian or transfer agent will send proxy statements directly to you. If the investment account is for a pension or other employee benefit plan governed by ERISA, you direct us not to vote proxies for securities held in the account, because the right to vote such proxies is expressly reserved for you or your plan fiduciary not Compak Asset Management.

## **Financial Information (Item 18)**

*This section of the brochure is where investment advisors that collect more than \$1200 in fees per client and six months or more in advance would include a balance sheet.*

Compak Asset Management is not aware of any circumstance that is reasonably likely to impair our ability to meet contractual commitments to you or our other clients. We do not require pre-payment of investment advisory fees of greater than \$1200 and more than six months in advance.

The Satisfaction Guarantee described in Items 4 and 8 of this document creates a potential obligation to refund fees to clients in their first twelve months with Compak. We do not believe that this potential obligation will be material to our ongoing operations or ability to meet our financial commitments. To address this potential risk, we will monitor the size of the potential obligation on a quarterly basis and record a contingent liability in the accounting books and records of the company. If in our opinion the size or likelihood of the potential obligation becomes material in size, we will fund a risk reserve account.

## **Privacy Statement**

*We, like other professionals who advise on personal financial matters, are required by federal law to inform our clients of their policies regarding the privacy of client information.*

In the course of providing our clients with certain advice, we might receive nonpublic personal financial information from our clients, their accountants and other representatives, such as financial statements, tax returns, and other personal information. All nonpublic personal information that we receive regarding our clients or former clients is held in strict confidence in accordance with our professional obligations, and is not released to people outside the Company, except with your consent or as required by law or to explain our actions to professional organizations that we are members of. We may share

certain information with third parties who assist us in providing our services to you (such as administrative and client service functions) or marketing services, as permitted by law, or to describe our services to professional organizations, subject to the obligation of these third parties not to use or disclose such information for any other purpose.

Compak Asset Management may share your information with Compak Securities, Inc. (Affiliated Entity). You must notify us if you do not want your information shared with our affiliated entities. Call us at 1-800-388-9700 or send your written request to our main office 1801 Dove Street, Newport Beach, CA 92660. Your prohibition may prevent you from being a client of Compak Asset Management.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic personal information from unauthorized disclosure, we maintain physical, electronic and procedural safeguards that comply with our professional standards.