

Disclosure Brochure

May 13, 2011

Compass Financial Management LLC

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Compass Financial Management LLC (herein after "Compass"). If you have any questions about the contents of this brochure, please contact Robert Kleiber at (973) 402-9700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Compass Financial Management LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Compass Financial Management LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This section of the brochure discusses only the material changes that have occurred since Compass's last annual update. Since this is Compass's initial Disclosure Brochure, there are no material changes to report in this section.

Item 3. Table of Contents

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Supervised Person Brochure Supplement(s)

Item 4. Advisory Business

Compass has been in business since May 2011. Robert Kleiber and Jill Holly are the principal owners of Compass.

Compass is an investment adviser providing consulting and investment management services. Prior to engaging Compass to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Compass setting forth the terms and conditions under which Compass renders its services (collectively the “*Agreement*”). Neither Compass nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of Compass is not considered an assignment.

Compass has no assets under management as of May 13, 2011.

This disclosure brochure describes the business of Compass. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Compass’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Compass’s behalf and is subject to Compass’s supervision or control.

Investment Management Services

Clients can engage Compass to manage all or a portion of their assets on a discretionary basis. Compass primarily allocates clients’ investment management assets among mutual funds, exchange traded funds (“ETFs”), and individual debt securities, and to a lesser extent among individual equity securities as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. Compass also provides advice about any type of investment held in clients’ portfolios.

Compass ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance. Compass consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients’ investment needs. Compass undertakes an assessment of each client’s individual financial situation and manages those client assets under an appropriately suited proprietary investment strategy. Compass employs a graduated range of objective strategies with varying degrees of risk. While similarly situated client accounts are managed using the same asset allocation methods, the particular holdings may vary from client to client.

Clients are advised to promptly notify Compass if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Compass’s management services.

401(k) Consulting Services

Compass offers its clients a range of financial consulting services related to the planning and administration of certain retirement savings plans established under the Internal Revenue Code, 26 U.S.C. Section 401(k) (commonly referred to as “401(k) plans”). If so engaged by a 401(k) plan administrator or trustee, Compass consults on the plan’s administration and management, as well as the planning activities of the individual employee plan participants. The scope and specificity of Compass’s consulting services vary and are generally determined by the specific arrangement under which it is engaged.

For purposes of this subsection, the term, “client” refers generally to those persons associated with the 401(k) for which Compass is engaged to provide consulting services. This includes the administrator, trustee, employer and/or employee plan participants.

In respect to plan-level consulting services, Compass advises plan administrators and/or trustees as to the permissible investment options (e.g., mutual funds) in which they can elect to offer under the plan. Compass makes its recommendations based on its individual assessment of each available fund. Compass does not manage the plan assets and all investment decisions are left entirely up to the client. Compass also advises on other plan-level functions, such as the investment policy statement and related matters.

With regard to plan participant consulting services, Compass educates individual employee plan participants on the investment options offered under their respective plans and explains the corresponding risks and rewards associated with each available investment and allocation strategy. Compass does not make investment decisions on behalf of these individuals. All such decisions are left entirely up to the client. Should any of the plan participants later engage Compass to render additional services, such work shall be done pursuant to a separate written agreement between the plan participant and Compass, independent of the employer’s or plan’s engagement for consulting services.

In performing its services, Compass is not required to verify any information received from the client (i.e., plan administrator, trustee or participant) or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Compass may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Compass recommends its own services. The client is under no obligation to act upon any of the recommendations made by Compass under a consulting engagement or to engage the services of any such recommended professional, including Compass itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Compass’s recommendations. Clients are advised that it remains their responsibility to promptly notify Compass if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Compass’s previous recommendations and/or services.

Additions and Withdrawals to Accounts

Clients may make additions to and withdrawals from their account at any time, subject to Compass's right to terminate an account. Clients may withdraw account assets on notice to Compass, subject to the usual and customary securities settlement procedures. However, Compass designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

Item 5. Fees and Compensation

Compass offers its services for an annual fee based upon the amount of client assets under Compass's management or advisement.

Investment Management Fee

Compass provides investment management services on a fee basis. Compass's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Compass does not receive any portion of these commissions, fees, and costs. Compass's annual fee is prorated and charged quarterly, in arrears, based upon the average daily balance of the assets managed by Compass during the prior quarter, as determined by the broker-dealer or custodian. The annual fee generally varies based on the market value of assets under its management, as follows:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
up to \$499,999	1.20%
\$500,000 to \$999,999	1.15%
above \$1,000,000	1.10%

Additionally, for certain fixed-income only portfolios, Compass charges an annual fee of 0.60% based upon the average daily balance of the assets managed by Compass during the prior quarter. Compass also imposes a minimum annual fee of \$1,200 for client accounts on an initial and ongoing basis, as discussed further under Item 7 (below).

Compass, in its sole discretion, may negotiate to waive its stated minimum annual fee or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

401(k) Consulting Fees

Compass provides its 401(k) consulting services on a fee basis. Compass's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client (i.e., the plan). Compass does not receive any portion of these commissions, fees, and costs. The standard annual fee charged for 401(k) consulting services is 0.80% of plan assets under advisement, charged quarterly, in arrears, based upon the market value of plan assets on the last day of the previous quarter, as determined by the broker-dealer or custodian. For any Fidelity Advisor

401(k) plans, the billing cycle is set forth in the agreement between Fidelity and the 401(k) plan. Compass, in its sole discretion, may negotiate to waive its stated minimum annual fee or charge a lesser consulting fee based upon certain criteria, as set forth above.

Prior to engaging Compass to provide 401(k) consulting services, the client is required to enter into a written agreement with Compass setting forth the terms and conditions of the engagement.

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), Compass generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

Compass may only implement its investment management recommendations after the client has arranged for and furnished Compass with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by Compass, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Compass's fee. For clients with 401(k) plans, they may incur fees directly from the third party administrator.

Compass's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Compass to debit the client's account for the amount of Compass's fee and to directly remit that management fee to Compass. Any *Financial Institutions* recommended by Compass have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Compass. Alternatively, clients may elect to have Compass send an invoice for payment.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.

The *Agreement* between Compass and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Compass's fees shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate.

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Additions may be in cash or securities provided that Compass reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Compass may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

Item 6. Performance-Based Fees and Side-by-Side Management

Compass does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

Compass provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Minimum Account Size

As a condition for starting and maintaining a relationship, Compass generally imposes a minimum portfolio size of \$250,000. Compass, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Compass only accepts clients with less than the minimum portfolio size if, in the sole opinion of Compass, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Compass may aggregate the portfolios of family members to meet the minimum portfolio size.

Minimum Fee

As a condition for starting and maintaining a relationship, Compass generally imposes a minimum annual fee of \$1,200. This minimum fee may have the effect of making Compass's services impractical for clients. Compass, in its sole discretion, may waive or reduce its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

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

Primary Methods of Analysis

Compass utilizes a combination of fundamental and technical methods of analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Compass will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future.

Investment Management Strategy

Compass undertakes an individualized assessment of each client's financial situation, investment objectives and risk tolerance, and assigns a corresponding set of guidelines for managing that client's portfolio. Clients generally fall into one of Compass's proprietary investment strategies, which range from conservative fixed-income only compositions to more aggressive allocations with heavier concentrations in equities. Compass monitors the individual management strategies for each portfolio on an ongoing basis to ensure that its allocations remain consistent with each client's investment objectives.

Compass manages portfolios by allocating assets among various mutual funds, ETFs and, to a lesser extent, individual securities, on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, Compass buys, sells, exchanges and/or transfers shares of mutual funds, ETFs or securities based upon the *investment strategy*. While accounts managed under the same investment profile may be comprised of the same allocations, the specific holdings may vary from client to client.

401(k) Consulting Services

Relying on its primary methods of analysis and basic academic investment principles, Compass consults with plan administrators and/or trustees on various plan-level matters, which include the investment policy statement and potential investment options to be offered under the plan. In performing these services, Compass examines issuer specific investments and investment alternatives, and reports on the corresponding costs, risks, and performance potential.

Additionally, Compass consults with 401(k) plan participants about generally accepted investment strategies and asset allocation models. Compass seeks to provide plan participants with at least a basic level of proficiency in investment-related matters by educating them on the mechanics, terminology and theories underlying the investment process.

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Market Risks

The profitability of a significant portion of Compass's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Compass will be able to predict those price movements accurately.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

Compass is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Compass does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Compass is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Compass does not have any required disclosures to this Item.

Item 11. Code of Ethics

Compass and its *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients consistent with Compass's policies and procedures.

Compass has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Compass or any of its associated persons. The *Code of Ethics* also requires that certain of Compass's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Compass's *Code of Ethics*, none of Compass's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Compass's clients.

When Compass is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Compass is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Compass to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, Compass shall generally recommend that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Compass considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables Compass to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Compass's clients comply with Compass's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Compass determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Compass seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Compass periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Compass in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Compass will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Compass (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Compass may decline a client's request to direct brokerage if, in Compass's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Compass decides to purchase or sell the same securities for several clients at approximately the same time. Compass may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Compass's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Compass's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Compass determines to aggregate client orders for the purchase or sale of

securities, including securities in which Compass's *Supervised Persons* may invest, Compass generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Compass shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Compass determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Compass may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Compass in its investment decision-making process. Such research generally will be used to service all of Compass's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Compass does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

Compass may receive from *Fidelity*, without cost to Compass, computer software and related systems support, which allow Compass to better monitor client accounts maintained at *Fidelity*. Compass may receive the software and related support without cost because Compass renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit Compass, but not its clients directly. In fulfilling its duties to its clients, Compass endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Compass's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Compass's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Item 13. Review of Accounts

Compass monitors portfolios of those clients for which it provides investment management services as part of an ongoing process. Such reviews are conducted by one of Compass's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Compass and to keep Compass informed of any changes thereto. Compass contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Compass provides investment management services may also receive a report from Compass that may include such relevant account and/or market-related information such as an inventory of account holdings and account, as requested. Clients should compare the account statements they receive from their custodian with those they receive from Compass.

Additionally, for those clients to whom it renders 401(k) consulting services, Compass conducts a comprehensive analysis of the investment options offered under the plan on an annual basis, or as otherwise agreed. Such clients are furnished with formal reports prepared by Compass to the extent agreed upon in the individual agreements under which Compass is engaged.

Item 14. Client Referrals and Other Compensation

Compass is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Compass is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Compass by either an unaffiliated or an affiliated solicitor, Compass may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Compass's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Compass by an unaffiliated solicitor, the solicitor shall provide the client with a copy of Compass's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Compass shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Compass's written disclosure statement at the time of the solicitation.

Item 15. Custody

Compass's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Compass through such *Financial Institution* to debit the client's account for the amount of Compass's fee and to directly remit that management fee to Compass in accordance with applicable custody rules.

The *Financial Institutions* recommended by Compass have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Compass. In addition, as discussed in Item 13, Compass may send periodic supplemental reports to clients. The statements received from the *Financial Institutions* are the true and accurate record of your accounts. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to any reports received from Compass.

Item 16. Investment Discretion

Compass may be given the authority to exercise discretion on behalf of clients. Compass is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Compass is given this authority through a power-of-attorney included in the agreement between Compass and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Compass takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

Item 17. Voting Client Securities

Compass is required to disclose if it accepts authority to vote client securities. Compass does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Item 18. Financial Information

Compass does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Compass is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Compass has no disclosures pursuant to this Item.

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Prepared by:

