



## **Form ADV Part 2A Disclosure Brochure**

### **Cover Page - Item 1**

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March 27, 2023

Compound Family Offices, LLC is a registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the United States Securities and Exchange Commission ("SEC") or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Compound Family Offices, LLC. If you have any questions about the contents of this brochure, please contact us at (941) 556-9294. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Compound Family Offices, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes - Item 2

The purpose of this page is to inform you of any material changes since our previous annual updating amendment filed with regulators on March 23, 2022.

On March 27, 2023, Compound Family Offices, LLC submitted its required annual updating amendment to applicable securities regulators for fiscal year 2022.

- Item 4 of our Form ADV Part 2A Brochure ("Brochure") was amended to disclose that as of December 31, 2022 we had discretionary assets under management of \$314,617,863. We did not have any non-discretionary assets under management to report with that filing.

If you have questions regarding these changes or if you would like to receive a complete copy of our current brochure free of charge at any time, please contact our Chief Compliance Officer at (941) 556-9154 or [jmullens@compoundfamilyoffices.com](mailto:jmullens@compoundfamilyoffices.com).

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#### **Advisory Business - Item 4**

Compound Family Offices, LLC (hereinafter "Compound," the firm, we, us, or our) is a registered investment adviser. We are a limited liability company, organized under the laws of the state of Florida. We have been in business and registered with the SEC since 2018. Scott Gurr, Manager, and Erik C. Popham, Manager are the principal owners of Compound. Our Chief Compliance Officer is Jeff Mullens.

As used in this Brochure, the term "Associated Person" refers to anyone from our firm who is an officer, an employee, and all individuals providing investment advice on behalf of our firm. Where required, such persons are properly registered as investment adviser representatives.

We offer the following family office services, tailored for each family to meet their unique needs, including, but not limited to developing, presenting, reviewing, and/or implementing advice related to the family's financial and non-financial capital. Such services may involve financial planning, investment advice, estate, gift and trust planning, tax planning, philanthropy, education, family meetings, sharing best practices, risk management, asset protection, the management of information, and coordination with the family's other key advisors depending on individual needs.

#### **Family Office Services**

Our services are uniquely designed to help families coordinate their multiple forms of capital using a holistic and collaborative team approach combining the many elements inherent to a successful life with wealth. We believe strongly the best way to serve families of significant wealth involves a dedicated team of independent and objective professionals collaborating for the benefit of the family. Such a relationship enhances Compound's ability to advise families on the opportunities and risks that their wealth presents allowing families to make better, educated decisions.

Initially, Compound meets with the prospective client to obtain information about their overall situation. This information is used to assist Compound in understanding a client's needs and the scope of services that are most appropriate for the client's situation. The family office services Compound will provide will be specifically described in the Family Office Services Agreement you enter into with our firm. Upon client request, additional services beyond the scope of the Family Office Services Agreement may be provided under separate agreement(s) and will typically include a separate fee as mutually agreed to by Compound and the client.

Our family office services vary by family and occasionally within families, but may include the following:

- Investment Advisory Services – Assessment of proper risk tolerance and specific requirements or constraints on the portfolio. Includes development of asset allocation, ongoing portfolio management, and review including selection and evaluation of investment managers. Further, includes the presentation of customized performance reporting at the portfolio level and also further down to the manager or specific investment level.
- Information Management and Coordination – Organization of key information and the coordination of such information with the family, the family's accountant, attorney, insurance agents, and other key advisors.
- Estate, Gift & Trust Planning – Includes explanation, summaries, and illustrations of existing and proposed estate planning documents and strategies. Includes recommendations and education on

additional strategies, considerations for making updates periodically, and further coordination with the family's tax and legal advisor(s) to implement agreed upon strategies or updates.

- **Income Tax Planning** – Includes planning for the minimization of tax including asset location, tax loss harvesting and gain minimization planning, charitable asset selection, facilitation of income tax payments, and coordination with the family's tax advisor(s).
- **Financial Planning** – Includes planning related to cash flow analysis, capital sufficiency modeling, lifestyle goals, credit usage, major asset purchases or liquidations, and significant life events.
- **Philanthropic Planning** – Includes defining philanthropic goals, education on philanthropic vehicles, and strategies for maximizing the benefits of philanthropy across the family and the organizations they choose to benefit.
- **Education** – Includes both individual and group-based learning sessions around various planning, tax, investment, and other topics with an intention of growing not only the family's financial capital but non-financial capital as well. These topics while commonly focused on younger generations are generally available across all generations.
- **Governance** – Includes facilitation of family meetings often across multiple generations around shared ownership, philanthropy, decision-making, or shared goals and objectives. Provides a structured forum for the growth of a family's non-financial capital.
- **Assistance with Trust Administration** – Includes advice around trustee selection and ongoing guidance, general understanding of trust purposes, and provisions. Often involves education for grantors, trustees, and beneficiaries on their respective roles and responsibilities.
- **Consolidated Reporting Services** – Allows the family to customize how their assets are reported by offering a view across multiple accounts or entities in a single statement and/or to segregate assets within accounts. This service may include assets not generally managed by Compound such as closely-held private family assets. Allows the family and their advisors to understand and monitor the total family balance sheet and provide comprehensive and integrated advice from a vantage point inclusive of the family's entire wealth landscape. This may require an additional fee depending on the nature and complexity of the non-managed assets on which reporting is being provided. Any additional fees will be mutually agreed to in advance.
- **Asset Protection Planning and Review** – Includes review and discussion of strategies that may avoid or minimize a portion of a family's balance sheet at risk. These strategies will be evaluated on the benefits they may provide against the degree and likelihood of loss and the complexity and administration they may require to achieve such protections.
- **Liability Risk Management Planning and Review** – Includes advice on a combination of mitigation strategies including the use of special purpose entities, trusts, and/or various insurance tools. We will review the family's assets and liabilities to determine: location, titling, and ownership structure. We will review existing or proposed policies and, after receiving your permission, we may facilitate reviews with unaffiliated third-party professionals. Compound does not receive compensation for recommending or placing insurance nor do we receive compensation from such third parties with whom we may involve to review your situation.
- **Estate Tax Liquidity Planning and Review** – Includes determination of estate tax liquidity needs and determination of potential liquidity sources including asset liquidations and life insurance. We will review existing or proposed policies and, after receiving your permission, we may facilitate reviews with unaffiliated third-party professionals. Compound does not receive compensation for recommending or placing insurance nor do we receive compensation from such third parties with whom we may involve to review your situation.

The advice we propose is designed to achieve the client's desired goals which may require revision to meet changing circumstances. Our recommendations are based on your situation from the information provided to the firm. Families may choose to accept or reject our recommendations. We should be notified promptly of any change to your situation, goals, objectives, or needs.

Note: Information related to tax and legal consequences that is provided as part of our family office services is for informative purposes only and should not be considered tax or legal advice or a substitute for tax or legal advice. Families are instructed to contact their tax or legal advisors for personalized advice.

#### *Portfolio Management*

As part of its overall family office services, Compound offers continuous discretionary and non-discretionary portfolio management services. Discretionary portfolio management means we will make investment decisions and place buy or sell orders in your account without contacting you. These decisions are made based on your stated investment objectives. You may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors by providing us with your restrictions or guidelines in writing.

Non-discretionary portfolio management service means that we must obtain your approval prior to making any transactions in your account.

Our investment advice is tailored to meet your needs and investment objectives. If you decide to hire our firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and decide how much risk you should take in your investments. The information we gather will help us implement an asset allocation strategy that will be specific to your goals.

Once your investment portfolio is constructed, we will monitor your portfolio's performance on a continuous basis, and rebalance the portfolio as we deem appropriate, as changes occur in market conditions and/or your circumstances.

#### *Stand-Alone Planning Services*

At our sole discretion, we may enter into stand-alone, planning-only engagements, which do not include portfolio management services. Prior to engaging Compound to provide stand-alone planning services, clients will be required to enter into a written Family Office Services Planning Agreement. The Family Office Services Planning Agreement will set forth the fees, terms, and conditions of the engagement and will describe the scope of the services to be provided.

#### *Selection of Third Party Investment Managers*

As part of our investment advisory services, depending on your particular needs and circumstances, we may engage the services of unaffiliated third party investment managers to manage all or a portion of your investment portfolio. After gathering information about your financial situation and objectives, we will select third party investment managers based on an assessment of the manager's investment philosophy, process, fees, ownership and compensation structure, historical performance, and personal integrity of its management and personnel. We will monitor the third-party investment managers' performance to determine if their management and investment style remains aligned with your investment goals and objectives.

The third-party investment manager(s) will actively manage their assigned portion of your investment portfolio and will assume discretionary investment authority over such portion of your account. We will assume discretionary authority to hire and fire third party investment manager(s) and/or to reallocate your assets to other third party investment manager(s) where we deem such action to be appropriate and in your best interest.

Neither our firm nor persons associated with our firm serve as an officer, director, or employee of any third party investment managers.

#### **Wrap Fee Programs**

We do not sponsor, manage, or participate in any wrap fee programs.

#### **Types of Investments**

Compound does not recommend one particular type of securities over others, but we provide advice on various types of securities, such as exchange listed equities, over the counter equities, foreign issues, foreign currencies, American depository receipts, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (including mutual funds and exchange traded funds), US Government securities, options contracts on securities and/or commodities, futures contracts, and interests in partnerships investing in real estate, oil, and gas, hedge funds, fund-of-funds, or other private equity investments. Additionally, we may provide advice on existing investments that you may hold at the inception of the advisory relationship or on other types of investments for which you request specific advice.

#### **Assets Under Management**

As of December 31, 2022, we had approximately \$314,617,863 in client assets under discretionary management. We did not have any non-discretionary assets under management.

### **Fees and Compensation - Item 5**

Generally, Compound offers its fee-only advisory services for an annual asset-based fee. Our fees are described generally below and are detailed in each client's Family Office Services Agreement executed with our firm. At our discretion, we may group multiple accounts of a client (or a group of related clients) together for fee billing purposes. Fees may change over time and, at our discretion, different fees or fee payment arrangements may be negotiated with different types of clients, different strategies, and different advisory arrangements as set forth in your Family Office Services Agreement with our firm.

Compound's standard annual family office services asset-based fee is charged as detailed below based on the following blended tier schedule.\*\*

<b>Asset Amount</b>	<b>Maximum Annual Fee</b>
\$0 to \$10,000,000	1.00%
\$10,000,001 to \$20,000,000	0.85%
\$20,000,001 to \$30,000,000	0.70%
\$30,000,001 to \$80,000,000	0.50%
Over \$80,000,001	0.25%

**\*\***For example, an account with assets of \$15,000,000 will be charged an annualized asset-based fee of 1.00% on the first \$10,000,000 and the remaining \$5,000,000 would be assessed the lower fee of 0.85%.

Compound reserves the right to negotiate or waive certain fees depending on the circumstances. The exact fee to be paid by the client will be clearly stated in the Family Office Services Agreement signed by the client and the firm.

*Billing on Cash Positions:* The firm treats cash and cash equivalents as an asset class. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there is no guarantee that such anticipated market conditions/events will occur), the firm may maintain cash and/or cash equivalent positions for defensive, liquidity, or other purposes. While assets are maintained in cash or cash equivalents, such amounts could miss market advances and, depending upon current yields, at any point in time, the firm's advisory fee could exceed the interest paid by the client's cash or cash equivalent positions.

*Periods of Portfolio Inactivity:* The firm has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, the firm will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when the firm determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, unless otherwise agreed in writing, the firm's annual investment advisory fee will continue to apply during these periods, and there can be no assurance that investment decisions made by the firm will be profitable or equal any specific performance level(s).

Family office fees are billed quarterly, in arrears; and, they are based on the gross value of your portfolio at the end of the preceding quarter. Terms of payment are stated in the Family Office Services Agreement signed by the client and the firm. Generally, the family office fee will be deducted from the client's account held with a non-affiliated, qualified custodian. The qualified custodian will provide the client with an account statement at least quarterly. This statement will detail all account activity, including any fees deducted from the account(s).

At the inception of family office services, the first pay period's fees will be calculated on a pro-rata basis. The Family Office Services Agreement between the client and Compound will continue in effect until either party terminates the Family Office Services Agreement in accordance with the terms of the Family Office Services Agreement. Compound's annual fee will be pro-rated through the date of termination. Refunds are not applicable since fees are payable in arrears.

At our sole discretion, we may enter into stand-alone, planning-only engagements. For stand-alone planning or consulting services, Compound charges an hourly fee of up to \$650 per hour to be negotiated based on the client's needs and circumstances. Prior to engaging Compound to provide stand-alone planning services, clients will be required to enter into a written Family Office Services Planning Agreement. The Family Office Services Planning Agreement will set forth the terms and conditions of the engagement and will describe the scope of the services to be provided. Fees are payable as invoiced in accordance with a payment arrangement that is clearly set forth in the Family Office Services Planning Agreement signed by the client and the firm. Either party may terminate

the Family Office Services Planning Agreement by written notice to the other. Refunds are not applicable since fees are payable in arrears.

#### *Third-Party Investment Manager Fees*

Third-party investment managers charge separate fees in addition to our above-referenced fees. Third-party investment management fees may or may not be negotiable. Compound will attempt to negotiate third party investment manager fees for the benefit of Compound's clients with no direct benefit to Compound. You should carefully consider all fees charged by the third-party investment manager(s) and by us to determine the total amount of fees you will pay for the management of the assets managed by the third-party investment manager(s) that are also supervised by Compound. Generally, fees in excess of three percent of the assets under management are considered to be in excess of industry standards. In limited circumstances, for example, where clients are invested in certain private investments (e.g., certain hedge funds, funds-of-funds, etc.), the total combined fees paid to Compound and the third-party managers of these investments could exceed this amount. Therefore, clients should be aware that lower fee options may be available. Typically, fees paid to the third-party investment manager(s) and us will be deducted from the designated account(s) by the account custodian(s) as authorized by you. The statements you receive from the qualified custodian(s) holding your account(s) will show the amount of advisory fees paid.

#### **Additional Fees and Expenses**

All fees paid to Compound for advisory services are separate and distinct from the fees and expenses charged to shareholders by mutual funds or exchange traded funds. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of Compound. In this case, the client would not receive the services provided by Compound, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to their financial condition and objectives. Accordingly, clients should review the fees charged by the funds and the fees charged by Compound to fully understand the total amount of fees charged and to evaluate the cost of advisory services being provided.

#### **General Information on Advisory Services and Fees**

We do not represent, warrant, or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

We shall never have physical custody of any client funds or securities, as the services of a qualified and independent custodian will be used for those services. We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given us written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

#### **IRA Rollover Considerations**

When we provide education or recommendations related to the rollover of an employer-sponsored retirement plan or an individual retirement plan ("IRA"), each choice offers advantages and disadvantages, depending on desired investment options, services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and anticipated retirement timeline. The complexity of these choices may lead an investor to seek assistance from us.

For example, when we recommend an investor roll over employer-sponsored plan assets into an IRA, we may earn an asset-based fee as a result, but no compensation if assets are retained in the employer (or former employer) plan. When we recommend rolling IRA assets over to a different IRA or different custodian under our management, we will earn an asset-based fee which may be more or less than fees charged by other firms. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA under our management. In most cases, fees and expenses will increase for the investor as a result because the above-described fees will apply to assets rolled over to an IRA and outlined ongoing services will be extended to these assets.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interests and not put our interests ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

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

Performance-based fees are based on a share of capital gains on or capital appreciation of the client's assets. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not accept performance-based fees or participate in side-by-side management. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account(s).

Certain private funds may assess performance-based fees. These are described in the respective private offering documents provided to you. Compound does not share in these fees.

#### **Types of clients - Item 7**

We primarily offer family office services to ultra-high net worth individuals and their families, including their trusts, estates, retirement accounts, and related entities. We also offer our services to charitable organizations, corporations, and other business entities.

We generally require that family relationships have a minimum of \$10,000,000 in assets to engage and maintain an advisory relationship with our firm. However, from time to time, in its sole discretion, Compound may accept smaller accounts based on various criteria, such as pre-existing client relationships with you or your family

members and other related accounts, anticipated future assets, and account composition, among other factors and individual circumstances.

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

##### **Methods of Analysis and Investment Strategies**

Compound utilizes quantitative and qualitative analysis as well as fundamental insight to determine client portfolio allocations, which are then allocated among managed accounts, mutual funds, exchange traded funds, and private funds (including hedge funds and private equity-type investments).

##### **Selection of Third Party Investment Managers**

In the event we select third party investment manager(s) to manage all or a portion of your assets, we will not perform a quantitative or qualitative analysis of individual securities. Instead, we will select third party investment managers based on an assessment of the manager's investment philosophy, process, fees, ownership and compensation structure, historical performance, and personal integrity of its management and personnel. Compound will attempt to negotiate third party investment manager fees for the benefit of Compound's clients with no direct benefit to Compound. We may replace a third-party money manager for any reason including, for example, if there is an unexplained, significant deviation in characteristics or performance from the stated strategy and/or benchmark. The primary risk associated with investing with a third-party investment manager is that while a particular third-party investment manager may have demonstrated a certain level of success in the past; it may not be able to replicate that success in future markets. In addition, as we do not control the underlying investments in third party model portfolios, there is also a risk that a third party may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. To mitigate this risk, we seek third parties with proven track records that have demonstrated a consistent level of performance and success over time. A third party's past performance is not a guarantee of future results and certain market and economic risks exist that may adversely affect an account's performance that could result in capital losses in your account.

Additionally, we may use one or more of the following investment strategies when advising you on investments:

- Long-Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short term in other investments.
- Short-Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. Many factors can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of time.

- **Short Sales** – securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price, but if the price of the shares increases, the potential losses are unlimited.
- **Options Writing** – a securities transaction that involves selling an option. An option is a right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

### **Risk of Loss**

Investing in securities involves the risk of loss that clients should be prepared to bear.

The investment advice provided along with the strategies suggested by Compound will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your risk exposure. Certain investment strategies may not be appropriate for many members of the public. You should carefully consider whether the strategies employed would be appropriate for you in light of your experience, objectives, financial resources, and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including the complete possible loss of principal plus other losses, and may not be appropriate for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments in which you intend to invest.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political, and economic developments, and governmental economic or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer-term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower-quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned, and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation, and other economic and political conditions. If the currency in which a security is denominated appreciates against the US Dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Cybersecurity Risks:** Our firm and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate; however, unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value, or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of the unauthorized use of their personal information. While our firm has established a business continuity plan and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities, investment companies, and other investment advisers in which we invest, which could result in material adverse consequences for such entities and may cause a client's investment in such entities to lose value.

#### **Recommendation of Particular Types of Securities**

We provide advice on various types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

**Risks Associated with Investing in Equities:** Investments in equities generally refer to buying shares of stocks by an individual or firm in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Risks Associated with Investing in Mutual Funds:** Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant

degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. In addition, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which can also reduce returns.

**Risks Associated with Investing in Exchange Traded Funds (ETF):** Investing in stocks & ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Risks Associated with Investing in Private Funds:** Private investment funds are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance. Moreover, as sales of shares of private investment companies are generally restricted to certain qualified purchasers, it could be difficult for a client to sell its shares of a private investment company at an advantageous price and time. Since shares of private investment companies are not publicly traded, from time to time it may be difficult to establish a fair value for the client's investment in these companies.

**Risks Associated with Investing in Options:** Transactions in options carry a high degree of risk. A relatively small market movement will have a proportionately larger impact, which may work for or against the investor. The placing of certain orders, which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

#### Disciplinary Information - Item 9

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or of the integrity of our management. We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

#### Other Financial Industry Activities or Affiliations - Item 10

Neither Compound nor any management person of our firm is registered or has a pending registration with or as a broker/dealer, a futures commission merchant, a commodity pool operator, and/or a commodity trading advisor.

#### **Selection of Third Party Investment Managers**

As disclosed above, we may select one or more third party investment managers to manage all or a portion of your investment portfolio. Please see Items 4 and 5 of this brochure for additional information regarding this topic. Compound receives no additional compensation directly or indirectly from the third party investment managers it engages to manage any portion of your investment portfolio.

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

##### **Description of Our Code of Ethics**

Compound has adopted a Code of Ethics (the "Code") to establish the standards of conduct required of persons associated with our firm including owners, managers, and employees. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Compound's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code;
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of Compound's Code of Ethics is available upon request by contacting our Chief Compliance Officer at (941) 556-9154 or [jmullens@compoundfamilyoffices.com](mailto:jmullens@compoundfamilyoffices.com).

##### **Personal Trading Practices**

At times, Compound and/or its related persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. In an effort to uphold our fiduciary duties to clients, Compound and its related persons will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (e.g., a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (e.g., a purchase or sale which is minimal in relation to the total outstanding value, and as such would have a negligible effect on the market price) would not be deemed a material conflict requiring disclosure at the time of trading.

#### **Brokerage Practices - Item 12**

Compound has an institutional custodial relationship with various broker-dealers and qualified custodians, such as Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC. Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like ours. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and will buy and sell securities in your account(s) upon our instructions. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and you will open your

account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

*Your Custody and Brokerage Costs*

Schwab generally does not charge you separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account.

*Research and Other Soft Dollar Benefits*

Although not considered “soft dollar” compensation, Compound receives some economic benefits from Schwab Advisor Services in the form of access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, Schwab may charge us quarterly service fees. Below is a detailed description of Schwab’s support services.

*Services that Benefit You:* Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

*Services that May Not Directly Benefit You:* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients’ accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

*Services that Generally Benefit Only Us:* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. From time to time, Schwab also provides us with other benefits such as occasional business entertainment for our personnel.

Additionally, we have received certain hard dollar benefits from some broker-dealers/custodians to help us pay for certain start-up costs, software purchases, and compliance assistance services. Clients should be aware of this conflict and consider it in deciding whether to custody their assets with firms recommended by our firm. However, Compound understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all Compound clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While Compound may not always obtain the lowest commission rate, Compound believes the rate is reasonable in relation to the value of the brokerage and research services provided.

Schwab has provided a loan to Compound to assist its business operations, and the loan is guaranteed by Scott F. Gurr and Erik C. Popham, principals of our firm. The terms of the loan require that management fees to Compound be paid to an account at Schwab for deduction of interest and principal payments on the loan before we are able to access such management fees. The loan agreement contains various representations and covenants by us, including, among others, that we will maintain at least \$120,000,000 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that we will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents, and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab can terminate and/or accelerate the loan, which (although unlikely) could have a material adverse effect on our ability to perform services for you.

Some of the products, services, and other benefits provided by Schwab, including the loan noted above, benefit us, and may not benefit its client accounts. Our recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to us or our agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost, or quality of custody and execution services provided by Schwab.

We place trades for clients' accounts subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients, so we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than that provided by other broker-dealers.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and custodians with which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

#### **Directed Brokerage**

In very limited circumstances, and at our sole discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider

whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

**Trade Aggregation/Block Trading**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage on a discretionary basis whenever possible and where in the clients' best interests (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. In rare instances, such as partial fills or limited shares of thinly traded or illiquid stocks, it may be necessary to place block trades for only small groups of clients over a period of time. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm. We are not able to combine orders for non-discretionary accounts as we may not be able to obtain prior client consent in a timely manner in order for non-discretionary accounts to participate in time-sensitive block trades. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay for transactions in the same securities.

We do not combine multiple orders for shares of the same mutual funds purchased for advisory accounts we manage because mutual funds do not trade in blocks.

**Review of Accounts - Item 13**

Compound monitors client account holdings on a continuous basis and conducts formal account reviews at least annually. Accounts are reviewed by the Associated Person assigned to the account. Clients are encouraged to meet with their advisory representative at least annually and to immediately notify us of any changes in their personal or financial circumstances, investment goals, objectives, or risk tolerance or concerns. Additional reviews may be offered in certain circumstances. Triggering factors that may stimulate additional reviews include but are not limited to, changes in economic conditions, changes in the client's financial situation or investment objectives, or upon client request.

Clients will receive statements directly from their account custodian(s) at least quarterly. Compound will also provide performance reports on an as-agreed-upon or as-needed basis.

#### Client Referrals and Other Compensation - Item 14

##### **Compensation for Client Referrals**

We do not directly or indirectly compensate any person or entity, who is not an Associated Person of our firm, for client referrals. Neither our Associated Persons nor our firm receives direct or indirect compensation from any third parties for client referrals.

##### **Other Compensation**

Compound has brokerage and clearing arrangements with Schwab and/or other qualified custodians/broker-dealers. As such the firm receives certain additional benefits from them in the form of electronic delivery of client information, electronic trading platforms, institutional trading support, proprietary and/or third-party research, continuing education, practice management advice, and other services provided by custodians for the benefit of investment advisory clients.

#### Custody - Item 15

We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. Pursuant to your written authorization, as paying agent for our firm, your independent, qualified custodian will directly debit your account(s) for the payment of our advisory fees. The ability for us to calculate the fee and send an invoice to the custodian with the amount of the fee to be deducted from your account causes our firm to exercise limited custody over your funds or securities. Additionally, we are deemed to have custody in certain situations where we accept standing letters of authorization from clients to transfer assets to third parties. In all cases, we maintain safeguards in accordance with regulatory requirements regarding the custody of client assets.

Additionally, you will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have questions regarding your account or if you did not receive a statement from your account custodian, please contact our Chief Compliance Officer at (941) 556-9154 or [jmullens@compoundfamilyoffices.com](mailto:jmullens@compoundfamilyoffices.com).

#### Investment Discretion - Item 16

Compound offers management services on a discretionary basis. Clients must grant discretionary authority in the Family Office Services Agreement. The discretionary authority extends to the types and amounts of securities to be bought and sold in client accounts. Apart from the ability to instruct the custodian to withdraw advisory fees from client accounts, Compound does not have the ability to withdraw funds or securities from client accounts.

If you wish, you may limit our discretionary authority by, for example, setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing. Please refer

to the “Advisory Business” section in this Brochure for more information on our discretionary management services.

In the very limited circumstances in which we agree to provide non-discretionary portfolio management services, we will obtain client approval prior to executing any transactions in the client's account(s).

#### Voting client Securities - Item 17

Compound or its appointed agent will vote proxies for discretionary accounts unless otherwise instructed by the client in writing. Compound will not vote proxies for non-discretionary accounts unless directed to vote such proxies by the client in writing. In some cases, we may delegate voting of proxies to sub-account managers or third party investment managers who are or were managing the securities subject to such proxies. In situations involving a class action involving a security owned in a discretionary account, Compound or their appointed agent will coordinate the processing of any reasonable and material claims with the custodian.

For purposes of voting proxies Compound has adopted policies and procedures to do so in the best interests of clients. Should a conflict of interest arise that Compound has not addressed in our policies and procedures we will request instructions for voting from the client.

A copy of Compound’s proxy voting policies and procedures is available upon request by contacting our Chief Compliance Officer at (941) 556-9154 or [jmullens@compoundfamilyoffices.com](mailto:jmullens@compoundfamilyoffices.com).

#### Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about Compound’s, financial condition.

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

#### Requirements of State-Registered Advisers - Item 19

**This section is not applicable because our firm is SEC registered.**

#### Miscellaneous

##### **Confidentiality**

Compound views protecting its customers’ private information as a top priority, and pursuant to the requirements of the Gramm-Leach-Bliley Act, it has instituted policies and procedures to ensure that customer information is kept private and secure. Compound does not disclose any nonpublic personal information about its customers or former customers to any non-affiliated third parties, except as permitted by law. In the course of servicing a client

account, Compound may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

Compound restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. Compound maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. It is Compound's policy never to sell information about current or former customers or their accounts to anyone. We will not share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of Compound's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the agreement(s) for services. Thereafter, Compound will deliver a copy of the current privacy policy notice to its clients upon any material changes to its privacy policies and practices.

If you have any questions regarding your privacy, please contact our Chief Compliance Officer at (941) 556-9154 or [jmullens@compoundfamilyoffices.com](mailto:jmullens@compoundfamilyoffices.com).