

**Compak Asset Management (Investment Advisor)  
Compak Securities, Inc. (Broker-Dealer)**

1801 Dove Street  
Newport Beach, CA 92660  
Tel: 800.388.9700 / Fax: 877.454.5591  
e-mail: [investments@compak.com](mailto:investments@compak.com)  
[www.compak.com](http://www.compak.com)

**Form CRS - ADV 3: Client Relationship Summary**

Compak Asset Management (“CAM”) is an investment advisor (“IA”) registered with the Securities and Exchange Commission that provides investment advisory services. Compak Securities, Inc. (“CSI”) is an affiliated broker-dealer (“BD”) registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC) that provides brokerage services. Investment advisory services and fees differ from brokerage services and fees and it is important for you to understand the differences. [Investor.gov/CRS](http://Investor.gov/CRS) is a website providing free and simple tools to research firms and financial professionals, and which provides educational materials about investment advisors, broker-dealers, and investing. We encourage you to ask us questions and have provided suggested conversation starters in call-out boxes throughout this Client Relationship Summary.

**What investment services and advice can you provide me?**

IA Advisory Services: CAM offers investment advisory services to retail investors, primarily portfolio management and financial planning services. We first meet with you to gain an understanding of your current financial situation, your short- and long-term goals, time horizons, investment history and your risk tolerance. We use this information to recommend an investment portfolio specific to your investment objectives and needs.

Our Investment Committee reviews and set the firm’s overall investment philosophy and underlying mix of asset classes. We monitor client portfolios as part of an ongoing process with regular account reviews on a periodic basis. Reviews are also triggered by material market, economic or political events, or by changes in your financial situation (such as retirement or other change in employment).

We manage portfolios on a **discretionary basis**. When you grant us discretionary authority, this means we don’t need to call you before buying or selling securities in your account. We obtain discretionary authorization through our signed investment advisory agreement with you. We offer advice on different types of securities. In some circumstances, CAM client accounts may have non-discretionary securities. Our minimum account size is generally \$150,000.

***For more detailed information about advisory services, please request a copy of CAM’s Form ADV Part 2A brochure. CAM’s brochure can also be found here: [www.compak.com/formadv2](http://www.compak.com/formadv2)***

BD Brokerage Services: CSI is a limited purpose broker-dealer specializing in variable annuity products through 3<sup>rd</sup> party insurance companies. The purchase and or sale of variable annuities are made on a **non-discretionary basis** by a Registered Representative of CSI. We may recommend a variable annuity but the ultimate investment decision to purchase or sale of the annuity will be yours. We obtain authorization through an application you complete with the issuing insurance company.

We first meet with you to gain an understanding of your current financial situation, your short and long-term goals, time horizons, investment history, and your risk tolerance. Your answers help us evaluate a variable annuity possible holding for you. We also use this information to recommend a variable annuity specific to your investment objectives and needs.

CSI does not provide ongoing monitoring of client annuities, but will help with service issues, including withdrawals, annuitization paperwork, and other matters you may need to work with the insurance company to resolve. If you have an advisory agreement with CAM, that firm will provide ongoing monitoring of your variable annuity holdings as a service with no additional management fee charge. Minimum investment amounts vary depending on the issuing insurance company and are typically

\$5,000 - \$10,000. As a limited purpose broker-dealer, it is important for you to understand that other firms may offer a wider range of investment choices, some of which have lower costs.

**More information about our variable annuity services and conflicts of interest is available by reading CSI's Regulation Best Interest Disclosures found here: [www.compak.com/csiBI](http://www.compak.com/csiBI)**

### **Conversation Starter**

**Given my financial situation, should I choose investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?**

### **What fees will I pay?**

**IA Fees:** CAM provides comprehensive portfolio management for a single fee. Our fee is based on your total assets under management with us. The annual fee ranges from .60% to 2.00%. The percentage amount we charge goes down as your assets grow. For all accounts with a value over \$10,000, you will also pay an account maintenance fee of \$45 per quarter (\$180 annually). We bill our fees quarterly in advance, usually deducted automatically from your account. We also offer financial planning services on an hourly basis. Our standard hourly rate is \$150. All our fees are negotiable. When we charge asset-based fees, the more assets we manage, the more you'll pay in management fees. We therefore have financial incentive to encourage you to increase the amount of assets we manage for you.

In addition to our management and maintenance fees, you will pay fees charged by third parties for other services provided to you, including fees charged by your custodian. Examples of costs you might pay include brokerage commissions, transaction fees, custodial fees, wire transfer and electronic fund fees. Mutual funds and exchange traded funds also charge internal management fees, which reduce the return of investments over time. We do share in some of the fees Fidelity, the custodian we recommend, charges on Non-Qualified, Non-Transaction Fee Mutual Funds, and rebate them back to clients on a quarterly basis.

***You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. CAM's Form ADV Part 2A brochure (Item 5 and Item 12) contains more detailed information about fees and costs found here: [www.compak.com/formadv2](http://www.compak.com/formadv2)***

**BD Fees:** CSI receives an initial commission based on the value of the amount you invest, and often receives ongoing annual "trail" commissions as well. Because we earn more in commissions based on the total amount you invest, we may have a financial incentive to encourage you to invest larger dollar amounts. We receive an upfront commission on new contracts which may give us an incentive to recommend exchanging an existing annuity. If you transfer an existing contract to us as "broker of record," we will receive an ongoing trail commission if applicable.

Variable annuities are subject to other ongoing costs, including fees charged by the insurance company for mortality and expense and administration, and fees related to management of the annuity's investment sub-accounts. The commissions we receive are reflected in the variable annuity's cost structure. These fees charged by the issuing insurance company will reduce the value of your investments over time. Variable Annuities may also have surrender charges and fees. You may have to pay these fees if you sell or transfer an existing variable annuity in the first five to 10 years of the investment.

***You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. See CSI's Regulation Best Interest Disclosures for more detail on variable annuity commissions and costs: [www.compak.com/csiBI](http://www.compak.com/csiBI)***

### Conversation Starter

**Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?**

### **What are your legal obligations to me providing recommendations as my broker-dealer or when acting as my investment advisor? How else does your firm make money and what conflicts of interest do you have?**

*IA Capacity: When we act as your investment advisor*, we are held to a fiduciary standard that covers our entire investment advisory relationship with you. For example, we are required to monitor your portfolio, investment strategy and investments on an ongoing basis. At the same time, the way we make money creates some conflicts with your interests. We must eliminate these conflicts or tell you about them in a way you can understand, so that you can decide whether or not to agree to them. You should understand and ask us about these conflicts because they can affect the investment advice we provide you.

A primary conflict of interest is our receipt of asset-based fees. For example, if you asked us for a recommendation about paying down outstanding debt or making charitable contributions, versus keeping those funds in your accounts with us, we will always make the recommendation that we believe is in your best interest. At the same time, we have a conflict of interest in making the recommendation because we earn more advisory fees when you keep more assets in your account.

Another conflict is our relationship with Fidelity and our recommendation that you use them as your custodian. Most of our revenue is from the advisory and maintenance fees you pay to us. However, we have incentives to recommend our clients use Fidelity Institutional Wealth Services (“Fidelity”) as custodian because we receive other benefits, such as access to research, technology services, and seminars. We also participate in the Fidelity Wealth Advisor Solutions Program (“Program”). Under this Program, we receive client referrals from Fidelity. Our participation in this Program creates a conflict in that we have incentive to use certain affiliates of Fidelity in exchange for client referrals under the Program. We also have a revenue sharing agreement with Fidelity that is described in our ADV Part 2A. To reduce the impact of the revenue sharing agreement, CAM rebates all revenue from this agreement back to the client on a quarterly basis.

***CAM’s Form ADV Part 2A brochure contains detailed information about our conflicts of interest found here: [www.compak.com/formadv2](http://www.compak.com/formadv2)***

*BD Capacity: When we provide you with a recommendation*, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations, we provide you. Here are some examples to help you understand what this means.

1. CSI’s affiliations with CAM creates a potential conflict of interest in respect to your financial professional recommending an annuity instead of investing those same funds in your advisory account. When an annuity is recommended, we earn an up-front commission from the insurance carrier, which creates more immediate compensation than if we charged you an advisory fee on the same amount of investments. This creates an inherent conflict of interest.
2. Different variable annuities have different commission payouts to both the firm and the representative. We have a financial incentive to sell you a higher paying commission product over another investment products with lower costs.

***Please see CSI’s Regulation Best Interest Disclosures for additional detailed information about our fees and costs found here: [www.compak.com/csiBI](http://www.compak.com/csiBI)***

IA & BD Capacity With Retirement Investors:

When CAM or CSI recommends that you rollover retirement assets or transfer existing retirement assets (such as a 401(k) or an IRA) to their management, they have a conflict of interest. This is because they will generally earn additional revenue when they manage more assets. In making the recommendation, however, they do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, they do so as a “fiduciary,” as that term is defined in ERISA or the Internal Revenue Code, or both. CAM and CSI also acknowledge they are a fiduciary under ERISA or the Internal Revenue Code with respect to their ongoing advice, recommendations, and services of the rollover/transfer of the retirement assets.

**Conversation Starter**

**How might your conflicts of interest affect me, and how will you address them?**

**How do your financial professionals make money?**

IA Capacity: CAM’s Investment Advisor Representatives receive variable compensation related to the number of clients served and total advisory fees generated. This creates a financial incentive to solicit and retain clients. They also receive compensation related to the sale of insurance products, and may earn brokerage commissions if recommending a product in their role as a representative of Compak Securities, Inc. (Affiliated Broker-Dealer).

BD Capacity: CSI’s Registered Representatives receive an upfront commission for the purchase of a variable annuity or receive a “trailing” commission based on the total annuity value every year going forward as long as the contract is active. The client indirectly pays fees and or commissions that are factored into the product’s costs and is paid to us by the issuer. This creates a financial incentive to find new clients and recommend additional transactions.

**Do you or your financial professionals have legal or disciplinary history?**

Yes. Visit [Investor.gov/CRS](https://www.investor.gov/crs) for a free and simple search tool to research our firm and our financial professionals.

**Conversation Starter**

**As a financial professional, do you have any disciplinary history? For what type of conduct?**

*You can find more information about our wealth management firm on our website at:*

*[www.compak.com](https://www.compak.com). For more detailed information about our investment advisory services and brokerage services, or to request an updated copy of this Client Relationship Summary, please contact us at (800) 388-9700 and speak to your financial professional or our compliance support staff. You may also visit the SEC’s public disclosure website at [www.advisorinfo.sec.gov](https://www.advisorinfo.sec.gov).*

**Conversation Starter**

**Who is my primary contact person? Is he or she a representative of an investment adviser or broker-dealer? Who can I talk to if I have concerns about how this person is treating me?**

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Compak Securities, Inc. (“CSI,” “we,” or “our”) is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

### **Type and Scope of Services**

We are a limited purpose broker – dealer specializing in variable annuity products through 3<sup>rd</sup> party insurance carriers. We are affiliated with Compak Asset Management, a registered investment advisor, providing advisory services in a full range of securities, such as equities, fixed income, mutual funds, and financial planning. For more detailed information about advisory services, please request a copy of Compak Asset Management’s Form ADV Part 2A brochure. Compak Asset Management’s brochure can also be found here: [www.compak.com/formadv2](http://www.compak.com/formadv2)

### **Recommendations Made as a Broker**

Typically, our clients will have an advisory relationship with our affiliated investment advisor and a recommendation will be made to purchase a variable annuity once your financial advisor has determined that a variable annuity is appropriate for you in order to meet your ongoing investment needs. We then make a separate assessment as a broker to ensure a variable annuity is in your best interest. CSI is acting as a broker when we recommend the purchase of a variable annuity and we will receive a commission directly from the insurance carrier.

### **Variable Annuity Products**

- A variable annuity is a contract between you and an insurance company. Its value is tied to the performance of an investment portfolio underlying the insurance contract.
- You can choose from a variety of underlying investment options. These options are called “separate accounts” or “sub-accounts” and they have some similarities to mutual funds, but are not the same. Like mutual funds, separate accounts have various investment objectives and risk profiles and invest in different types of securities. It’s important that they be allocated appropriately for your personal needs and circumstances.
- A typical variable annuity offers three basic features not commonly found in mutual funds, though the specific terms of the variable annuity will vary based on the annuity you purchase.
  - Tax-deferred treatment of earnings;
  - A death benefit, which provides a stated benefit to your heirs, even if the value of the separate accounts has declined below that benefit; and
  - Annuity payout options (“annuitization”), including converting the value into a series of guaranteed income payments over a period of time or for life
- Variable annuities are both insurance products and securities.
- Investors often select an annuity because they want some of the insurance benefits described above while also having the potential to participate in market-based returns over time. It is important to understand that these benefits come at a cost. Variable annuity expenses are generally much higher than the expenses for a typical mutual fund.

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- The variable annuity's investment options are subject to market risk. They may increase or decrease in value over time. Some annuities may be "capped" or have upper limit put on their return over a certain time period. The growth of a "capped" annuity does not match that of the stock market. The guarantee provided by a death benefit applies only if you die; therefore, it is important that you have sufficient liquid assets to tolerate market fluctuations in the variable annuity during your lifetime. If you decide to annuitize, the market risk is eliminated and the value of the annuity is locked in.
- As securities, variable annuities are subject to state and federal securities laws and regulations. These regulations include the SEC's Regulation Best Interest (Reg BI).
- Detailed information about the specific variable annuity being considered is outlined in the prospectus provided to you. We strongly recommend you review the prospectus in order to have a better understanding of the annuity product.

### **Material Fees and Costs that Apply to Variable Annuities**

We receive indirect compensation on new annuities in the form of a commission, as well as ongoing revenue commonly referred to as "trails". Indirect compensation means the insurance carrier is responsible for our compensation. However, this compensation expense is a factor in the overall value of your annuity. The commission on new variable annuity purchases averages between 4% and 7% depending on the specific insurance carrier and product. When you "exchange" one annuity for another, it is a new contract and therefore pays us the full commission. We may receive "trails" on annuity contracts initially sold by us and for any annuity contract transferred to us as the new broker of record. Trail commissions are generally between .25% and 1% annually.

**The prospectus provided to you outlines the investment objectives, risks, various charges and expenses of the annuity product, as well as the underlying investment options and its specific expenses. The following are some of the expenses that may be incurred in a variable annuity contract. This list is not intended to replace the prospectus, nor is it a complete list of all possible expenses. Please refer to the prospectus for full details regarding the specific annuity recommended to you.**

- Mortality and expense ("M&E") risk charges cover expenses such as the guaranteed death benefit or annuity payout options. The M&E risk fees are calculated as a percentage of your account value and are described as an annualized rate charged against assets.
- Administrative fees are for record-keeping and other administrative expenses. Some fees, such as administration or transaction fees, are fixed amount fees charged annually. There may be additional administrative or transaction fees when specific transactions occur, which will be deducted from your cash value.
- Underlying fund expenses relate to the specific investment options. Investment manager fees are reflected here, and this is where upfront commissions and ongoing trail commissions are assessed. These are charged as an annualized rate against assets.
- Charges for special features and riders. Costs of riders are directly deducted from cash value of your investment. Variable annuities often have numerous features that provide specific benefits but come with additional costs.

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- Most insurance companies charge “surrender penalties” in the event you liquidate the contract by taking a distribution or transferring to another insurance company. This “penalty” compensates the insurance carrier for upfront costs, including commissions paid to brokers, and generally serve to discourage investors from cancelling the contract. Surrender penalties are a factor if we recommend exchanging or replacing an existing contract you own.
- While tax-deferred growth is a benefit of variable annuities, withdrawals or surrenders before age 59-1/2 are subject to tax penalties.

### **Exchanging or Replacing your Current Annuity**

We might recommend that you replace the annuity you currently have with one we suggest. This is referred to as a 1035 Exchange, which is the U.S. tax code allowing the exchange without incurring taxes. The firm has a duty to review a 1035 exchange recommendation to ensure it is in your best interest. You will receive disclosures regarding your existing contract, as well as for the proposed new contract. We encourage you to compare the features, as well as the costs associated with each product before making a decision. You should also be aware if any surrender charges will be incurred, thus reducing the amount to be invested. Due to the potential compensation, your financial professional has an inherent conflict of interest when recommending a 1035 Exchange.

### **Ongoing Monitoring and Review**

If you are a client of our affiliate, Compak Asset Management, your financial adviser will continue to monitor your variable annuity sub-accounts as part of your broader investment portfolio. If you are not a client of Compak Asset Management, CSI will not monitor the sub-accounts that you choose. The Compak Asset Management advisory fee will not include the value of any variable annuity Compak Securities, Inc. has and/or will receive compensation. This prevents us from being paid twice on the same assets, which would be a violation of our fiduciary and best interest obligation.

### **How We Make Variable Annuity Recommendations**

Variable annuity contracts can be fairly streamlined or extremely complex. They have specialized uses and functions within a client’s overall financial plan. We require a considerable amount of information from you before we provide a recommendation that we believe is best suited for you. Questions about your current financial position, investing knowledge & history, risk tolerance, investment objectives, personal goals, time horizons, and more provide us with the needed insight to evaluate the various variable annuity products and determine whether an annuity is a good investment for you.

The purchase and or sale of variable annuities are done on a **non-discretionary basis** by a Registered Representative of CSI. We may recommend a variable annuity but the ultimate investment decision to purchase, exchange or liquidate an annuity will be yours. We obtain authorization by having you complete a signed application with the sponsoring insurance carrier. We must act in your best interest and not place our interests ahead of yours when we recommend a variable annuity. We must treat you fairly and comply with a number of specific obligations.

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### Product Selection Limitations

We evaluate variable annuities across various insurance carriers comparing product types, features, benefits, financial strength of the carrier, and many other factors. We are stringent in our selection, only offering annuities from highly rated carriers who provide services we believe are important, as well as a diversified set of well-managed investment options. As a result, there may be annuity offerings at other firms that we do not make available and which may have lower costs or fees.

### Conflicts of Interest

The firm, as well as your financial adviser, have two significant conflicts of interest when recommending a variable annuity product: 1) Compensation and 2) Our ability to represent you in both a broker and advisory capacity. Our interests can conflict with your interests. When we provide a recommendation to purchase a variable annuity, we must eliminate these conflicts or tell you about them and in some cases reduce them.

When you purchase, exchange, or transfer an existing variable annuity, both the firm and the representative will receive commission and/or annual “trails on the other hand if your assets remain under Compak Asset Management’s advisory services, our advisory affiliate and your adviser would receive ongoing asset-based fees. When you transfer an existing annuity for us to service, Compak Asset Management would typically earn more in advisory fees by recommending liquidating the annuity and investing the proceeds versus the amount Compak Securities would earn in annual trails over the life of the contract. Thus, creating an incentive to recommend that you liquidate the annuity instead of holding onto it.

There are various insurance carriers and variable annuities products available each with different commission rates, this creates a financial incentive for your financial advisor to offer the annuity that pays the highest commission.

*Important Information for Retirement Investors* - When we recommend that you rollover retirement assets or transfer existing retirement assets (such as a 401(k) or an IRA) to our management, we have a conflict of interest. This is because we will generally earn additional revenue when we manage more assets. In making the recommendation, however, we do so only after determining that the recommendation is in your best interest. Further, in making any recommendation to transfer or rollover retirement assets, we do so as a “fiduciary,” as that term is defined in ERISA or the Internal Revenue Code, or both. We also acknowledge we are a fiduciary under ERISA or the Internal Revenue Code with respect to our ongoing advice, recommendations, services of the rollover/transfer of the retirement assets.

We mitigate the compensation conflict by disclosing it; by providing training, as well as ongoing supervisory oversight of our representatives concerning the duty of care, they owe to you; and by ensuring the variable annuities we recommend are competitive and offer a fair value for the features and services received.

In almost all cases, brokerage clients of Compak Securities are also advisory clients of Compak Asset Management, and the advisory relationship is where the majority of assets are held. Generally, the decision to recommend a brokerage or advisory relationship is driven by each client’s needs and priorities. The conflicts of interest are managed through our obligation to act in your best interest. We also provide substantial disclosures to you, including but not limited to these Regulation Best Interest Disclosures, Compak Asset Management’s ADV Part 2 brochure ([www.compak.com/formadv2](http://www.compak.com/formadv2)), the prospectus for any variable annuity we recommend, and orally disclose any conflict not covered in writing.



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### Conclusion

While it is impossible to identify every potential conflict of interest, this disclosure document was created to keep you better informed and detail the inherent conflicts in our industry. If you have any questions, or to request an updated copy of this Best Interests Disclosures form, please speak to your financial professional, or contact the firm's Compliance Department at (800) 388-9700.