

# Compak Securities, Inc.

## Regulation Best Interest Disclosures:

March 2026

1801 Dove Street

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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 3 (Form CRS) and ADV Part 2A brochure. Compak Asset Management's brochures can also be found here: [www.compak.com/disclosures](http://www.compak.com/disclosures)

### 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 underlining 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 Best Interest Regulation (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. While compensation is paid by the insurance company, **it is indirectly borne by the investor through product costs and features.**

**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's 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.

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- 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.
- 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 regarding 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 interests and not place

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our interests ahead of yours when we recommend a variable annuity. We must treat you fairly and comply with a number of specific obligations.

### **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 recommending for a retirement investor or a rollover or transfer of retirement assets, we evaluate:

- Costs and services of the existing plan vs. proposed arrangement
- Investment options and services
- Whether the recommendation is in your best interest

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, and services of the rollover/transfer of the retirement assets.

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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.

### **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.