

# Form ADV Part 2a

## Brochure Cover Page

### Elliott Cove Capital Management LLC

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This brochure provides information about the qualifications and business practices of Elliott Cove Capital Management LLC ("Elliott Cove"). If you have any questions about the contents of this document, please contact Elliott Cove's Chief Compliance Officer, Ralph D. Chiocco Jr, at 206-267-2683 or [rchiocco@elliottcove.com](mailto:rchiocco@elliottcove.com). The information in this disclosure document has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Elliott Cove is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

*Elliott Cove is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training, and you should not choose an investment adviser solely on the basis of its status as a registered investment adviser. Please consider the information provided to you in oral and written communications to determine whether to hire or retain an investment adviser and to evaluate an investment adviser's qualifications and business practices.*

## Item 2 – Material Changes

Since our firm's last annual amendment filing dated, January ADV 2023, we have made the following material changes to our disclosure brochure:

There has been a change in the fees for employers who sponsor Simple IRA plans for their employees. The charge will be \$1,000 a year beginning at inception and each anniversary year until which time until which the fee family account value totals and remains at or over \$100,000. The fee family can include other investment accounts of those participating. Simple IRA plans for employers commenced prior to March 15, 2024 will be grandfathered and not required to meet minimums.

Elliott Cove will make a copy of this section available to its clients within 120 days of the close of its fiscal year to make sure clients are aware of any material changes to the firm's business philosophies and practices.

Elliott Cove's clients may request a full copy of the latest version of this document at any time by contacting [Nikki Whittle](#), Operations Manager at 206-267-2683 or [nwhittle@elliottcove.com](mailto:nwhittle@elliottcove.com)

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## Item 4 – Advisory Business

### Introduction

Elliott Cove Capital Management is an investment adviser registered with the United States Securities and Exchange Commission ("SEC") and is a limited liability company (LLC) formed under the laws of the state of Washington. Ralph D Chiocco Jr, is the sole owner of Elliott Cove Capital Management, LLC. Our firm has been registered with the SEC since August 23, 2004

We are a fee-based investment advisor offering index-like asset allocation portfolios to individuals and for profit and nonprofit businesses. The nature of our services to you the client will depend on your unique financial situation, objectives, time horizons, and risk tolerance.

One of the advisor representatives of Elliott Cove is also licensed as a registered representative with Lincoln Investment, a registered broker/dealer, member FINRA/SIPC, and some of our advisor representatives are also independent insurance agents. When acting in these capacities, our advisor representatives receive commissions. These conflict-of-interest situations are discussed in more detail at Item 10 of this Disclosure Brochure

More information regarding our investment advisor representatives' business and education background can be found in the respective investment advisor representative's information required by Part 2B of Form ADV: Brochure Supplement. If you did not receive a copy of your advisor representative's Brochure Supplement, please let us know and we will provide one.

### Description of Primary Advisory Business

#### Asset Management Services

Through our Asset Management Services program Elliott Cove provides continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account") held at Axos Advisor Services. The Account consists only of separate account(s) held by Axos Advisor Services, as the broker dealer and qualified custodian, under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You can impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we buy, sell or recommend for any other clients or for our own accounts.

Elliott Cove Capital Management has developed and monitors its core portfolios including their tax advantaged counterparts made up of Dimensional Fund Advisors mutual funds and exchange traded funds (ETFs). They range from long time horizon, riskier portfolios to short horizon, risk adverse portfolios. Our philosophy of working with clients is to use techniques to determine their suitability, risk tolerance and time horizon and help them choose the correct allocation for their own time horizon and risk tolerance within our core portfolios. We utilize Axos Advisor Services as the custodian for these accounts due to the depth of services including performance reporting, trading platform, and other reporting services. Brokerage fees, expenses and commissions charged by Axos Advisor Services are in addition to, and separate from, the fees charged by Elliott Cove Capital Management for its Advisory services.

Elliott Cove Capital Management utilizes an internal investment committee to develop, maintain and monitor its portfolios. Amendments can be made to the core portfolios if approved by a majority of the committee members in attendance. See Item 13 for more information about how we monitor client accounts and our portfolios.

The Investment Committee will set a target allocation for each asset class, within the range set out in our Investment Policy. The Committee will meet periodically to review the target allocation and adjust the targets when deemed appropriate.

#### Retirement Plan Advising

Elliott Cove Capital Management offers customized retirement plan services to pension and profit-sharing plans. These advisory services are in the form of ERISA 3(38) or 3(21) fiduciary service to employers or plan sponsors for the benefit of their employee retirement plan. Services can include some of the following services. These services are also outlined in the Retirement Advisory Agreement between Elliott Cove and the Client.

## Retirement Plan Consulting ("Employers Fiduciary Liability Program")

Elliott Cove provides customized retirement plan consulting services to its plan sponsor clients. Elliott Cove focuses on delivering services to help meet the specific needs of each Client by listening to the client to determine their needs and goals as well as the challenges they have within their employee population. Based on the determinations, the Employers Fiduciary Liability Program can include:

- Plan Trust document review and recommendations for necessary liability coverage
- Investment Policy Statement development, including performance measurement standards
- Analysis of current investment options and integration with our 7 Core Portfolios
- Benchmarking and peer group analysis
- Assistance in the formation of an Investment Committee
- Ongoing assistance and compliance consulting
- Monitoring investment results for compliance with the IPS
- Assistance in selecting or amending investment alternatives
- Assistance in correcting plan failures, making sure plan administration is in line with plan documents
- Keeping clients up to date on new legislation and regulatory requirements
- Serve as co-fiduciary 3(21) or fiduciary 3(38) for the Client's plan

As 3(21) fiduciary, we act as an investment advisor who assists in investment changes, building the fund lineup, reviewing the investment selection, and making investment recommendations. We are Co-fiduciaries for the plan.

As 3(38) fiduciary, we are the investment manager and have discretion to make all the changes at our own discretion. In this case we are the sole fiduciary. We generally serve as 3(38) fiduciaries with regard to our Elliott Cove portfolios. We serve as 3(21) fiduciaries with regards to funds chosen outside our portfolios and our portfolios underlying funds.

Elliott Cove evaluates and recommends vendors and investment options for its clients following its own internal due diligence process.

If you elect to utilize any of Elliott Cove's Fiduciary Management Services, then Elliott Cove will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and Elliott Cove hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

Elliott Cove acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 ("ERISA") for purposes of providing non-discretionary investment advice only. Elliott Cove will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Elliott Cove to be a fiduciary as a matter of law.

However, in providing the Fiduciary Consulting Services, Elliott Cove (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client's retirement plan or the interpretation of Client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of Client's retirement plan as defined in ERISA.

Elliott Cove will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable). Our Third Party Administrators will provide such notice and Elliott Cove Capital Management will supervise our vendors to make sure the 408b notices are provided by the vendor to the sponsors and participants.

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

## Retirement Plan Rollover Recommendations

To the extent we recommend you roll over your account from a current retirement plan to an individual retirement account ("Rollover IRA"), managed by Elliott Cove please know that Elliott Cove and our investment adviser representatives have a conflict of interest.

We can earn increased investment advisory fees by recommending that you roll over your account at the retirement plan to a Rollover IRA managed by Elliott Cove. We will earn fewer investment advisory fees if you do not roll over the funds in the retirement plan to a Rollover IRA managed by Elliott Cove.

Thus, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to a Rollover IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm can be based on our economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in Elliott Cove receiving unreasonable compensation related to the rollover of funds from the retirement plan to a Rollover IRA, and (iii) fully disclose compensation received by Elliott Cove and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to a Rollover IRA and refrain from making any materially misleading statements regarding such rollover.

Our investment adviser representatives shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of Elliott Cove or our affiliated personnel.

## Tailor Advisory Services to Individual Needs of Clients

Elliott Cove's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives could be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

When managing client accounts through our firm's Asset Management Services program, we manage client accounts in accordance with the investment models previously described in this section. When client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates.

## Client Assets Managed by Elliott Cove Capital Management

The amount of assets under discretionary management by Elliott Cove Capital Management totaled \$267,943,831, 868 advisory clients and 922 accounts as of December 31, 2023.

## Item 5 – Fees and Compensation

### Elliott Cove Basic Fee Schedule:

Elliott Cove provides its investment management services for a fee that is based on a percentage of assets under management. In those cases, where the client is referred to us, variations can be made depending on the relationship between Elliott Cove and the adviser or broker introducing the client. Any such variation is disclosed and agreed to in the clients' Investment Advisory Contract. Fees are negotiable based on the value of assets under management, complexity of the client's situation, the advisor representative providing services, and other factors determine between the firm and the client. We will waive or reduce our fee for services when provided to employees and other affiliated persons or our firm. Minimum account size is \$25,000, although Elliott Cove reserves the right to accept accounts lower than our minimum account size. The fees for advisory services are payable quarterly in arrears to Elliott Cove and will be based on the average daily balance of the account, including cash, for the previous quarter or fraction thereof. Standard payment of asset management fees is by automatic deduction from the account. There will be other fees charged by the custodian/trustee not included in this fee schedule.

The annual fee for SIMPLE IRA plans set up by an employer will be \$1,000. The first annual fee is due at inception from the employer and then every anniversary year thereafter. All employee accounts and any other investment accounts they or the employer have with Elliott Cove Capital Management will be combined for fee calculation purposes. As long as that household fee family balance is \$100,000 or greater the \$1,000 annual fee will not be charged. That balance will be determined on the anniversary date. SIMPLE IRA plans commenced prior to March 15, 2024 will be grandfathered and not subject to the \$1,000. annual fee.

The initial account investment and all subsequent additions will be invested in cash upon receipt by the Custodian for the benefit of the investor, pending transfer to Elliott Cove portfolio(s). Elliott Cove will invest the funds into the selected Elliott Cove portfolio(s) on or before the first Elliott Cove regularly scheduled trading day following receipt of funds by the Custodian.

Portfolio trades are processed daily, and in all cases will occur within five business days following receipt of funds by Custodian.

The maximum annual basic advisory fee structure for accounts is tiered and is currently:

<u>Assets Managed*</u>	<u>Maximum Annual Fee</u>
First \$250,000 (tiered)	1.50%
Next \$750,000 (tiered)	1.25%
**Total Assets over \$1,000,000 stepped (all at)	1.00%

\* Minimum account size is \$25,000

\*\* Combined assets per fee family must total \$1,000,000 or more and will be adjusted if total falls below \$1,000,000 back to the tiered schedule of first \$250,000 at 1.50% and the next \$750,000 at 1.25%

An example of the fee for a client with an average daily balance of \$751,000 for an entire quarter would be calculated as follows:

\$250,000	X	1.5%/4	=	\$937.50
\$501,000	X	1.25%/4	=	\$1,565.63
			Total Quarterly Fee	\$2,503.13

A client can cancel his or her Investment Advisory Contract at any time by providing Elliott Cove and/or the custodian, Axos Advisor Services approved paperwork for distribution or transfer. A client can withdraw from this contract without penalty or fees, as it applies to Elliott Cove, within 5 business days of receipt of his or her Investment Advisory Contract.

Clients should be aware that mutual funds whose shares are held in client accounts pay advisory and other fees and expenses out of the funds' assets. These are referred to as operating expenses by mutual fund companies. These operating expenses are charged by the mutual fund companies regardless of which Investment Advisor you select and are assessed by and for the benefit of the mutual fund company. Elliott Cove does not share in any fees assessed by mutual fund companies.

### NOTICE TO INVESTOR

#### IMPACT OF FIXED FEES

Our minimum account size is \$25,000, however we reserve the right to accept accounts below the minimum account size. As an investor, you should be aware of the impact of fixed fees on account balances below the \$25,000 minimum.

The Elliott Cove Advisory Fee for assets up to \$25,000 is 1.50% per year. The actual dollar amount in fees is adjusted according to the account balance. .

The Axos Advisors' Custodial Fee is .18% or \$50 a year whichever is greater. In addition, should you close your account, Axos Advisors will assess a termination charge (not reflected in the table below).

Below is a table reflecting the total dollar impact of these combined fees and the effect the fees have on the account expressed as Combined Fee %.

Invested Amount	Axos Custodial Fee	Elliott Cove Advisory Fee	Combined Fee	First Year Combined Fee %
\$28,000.00	\$50.40	\$420.00	\$ 470.40	1.68%
\$27,000.00	\$50.00	\$405.00	\$ 455.00	1.69%
\$26,000.00	\$50.00	\$390.00	\$ 440.00	1.69%
\$25,000.00	\$50.00	\$375.00	\$ 425.00	1.70%
\$24,000.00	\$50.00	\$360.00	\$ 410.00	1.71%
\$23,000.00	\$50.00	\$345.00	\$ 395.00	1.72%
\$22,000.00	\$50.00	\$330.00	\$ 380.00	1.73%
\$21,000.00	\$50.00	\$315.00	\$ 365.00	1.74%
\$20,000.00	\$50.00	\$300.00	\$ 350.00	1.75%
\$19,000.00	\$50.00	\$285.00	\$ 335.00	1.76%

Invested Amount	Axos Custodial Fee	Elliott Cove Advisory Fee	Combined Fee	First Year Combined Fee %
\$18,000.00	\$50.00	\$270.00	\$ 320.00	1.78%
\$17,000.00	\$50.00	\$255.00	\$ 305.00	1.79%
\$16,000.00	\$50.00	\$240.00	\$ 290.00	1.81%
\$15,000.00	\$50.00	\$225.00	\$ 275.00	1.83%
\$14,000.00	\$50.00	\$210.00	\$ 260.00	1.86%
\$13,000.00	\$50.00	\$195.00	\$ 245.00	1.88%
\$12,000.00	\$50.00	\$180.00	\$ 230.00	1.92%
\$11,000.00	\$50.00	\$165.00	\$ 215.00	1.95%
\$10,000.00	\$50.00	\$150.00	\$ 200.00	2.00%
\$9,000.00	\$50.00	\$135.00	\$ 185.00	2.06%
\$8,000.00	\$50.00	\$120.00	\$ 170.00	2.13%
\$7,000.00	\$50.00	\$105.00	\$ 155.00	2.21%
\$6,000.00	\$50.00	\$90.00	\$ 140.00	2.33%
\$5,000.00	\$50.00	\$75.00	\$ 125.00	2.50%
\$4,000.00	\$50.00	\$60.00	\$ 110.00	2.75%
\$3,000.00	\$50.00	\$45.00	\$ 95.00	3.17%
\$2,000.00	\$50.00	\$30.00	\$ 80.00	4.00%
\$1,000.00	\$50.00	\$15.00	\$ 65.00	6.50%
\$900.00	\$50.00	\$13.50	\$ 63.50	7.06%
\$800.00	\$50.00	\$12.00	\$ 62.00	7.75%
\$700.00	\$50.00	\$10.50	\$ 60.50	8.64%
\$600.00	\$50.00	\$9.00	\$ 59.00	9.83%
\$500.00	\$50.00	\$7.50	\$ 57.50	11.50%
\$400.00	\$50.00	\$6.00	\$ 56.00	14.00%
\$300.00	\$50.00	\$4.50	\$ 54.50	18.17%
\$200.00	\$50.00	\$3.00	\$ 53.00	26.50%
\$100.00	\$50.00	\$1.50	\$ 51.50	51.50%

#### Elliott Cove Institutional Retirement Fee Schedule:

Elliott Cove also provides investment management services to \*institutional retirement programs for a fee that is based on a percentage of assets under management. In those cases, where the retirement program is referred to us, variations in allocation of the fee can be made depending on the relationship between Elliott Cove and the adviser or broker introducing the client. Any such variation is disclosed and agreed to in the retirement program's Investment Advisory Contract. Fees are negotiable based on the value of assets under management, complexity of the client's situation, the advisor representative providing services, and other factors determined between the firm and the client. We will waive or reduce our fee for services when provided to employees and other affiliated persons or our firm. There is no minimum account size since Elliott Cove does work with start-up retirement programs. Depending on the third-party administrator employed by a plan sponsor, fees will be billed and assessed on a quarterly basis either in arrears or in advance. Fees payable in arrears for advisory services will be based on the end of quarter balance of the account, including cash, for the previous quarter. Fees payable in advance for advisory services will be determined on the following basis: As of the origination date of the account, the fee for the initial quarterly period, payable in advance, will be based upon the opening valuation of the account, including cash and cash equivalents, and will be billed on a pro-rata basis for the number of days remaining in the quarter. The fee at the beginning of the next calendar quarter will be billed in advance based on the end of quarter balance of the account for the previous quarter, including cash. Subsequent



quarterly management fees, calculated based on last end of quarter balance as just described, will be deducted from the account. Standard payment of asset management fees is by automatic deduction from the account.

The maximum annual retirement program fee for accounts is currently stepped and is:

<u>Assets Managed Maximum</u>	<u>Annual Fee</u>
\$ 0 to \$ 499,999	1.00%
\$ 500,000 to \$999,999	0.75%
\$ 1,000,000 to \$4,999,999	0.60%
≥ \$ 5,000,000	0.50%

A retirement plan can cancel its Investment Advisory Contract by providing Elliott Cove with 30-days prior written notice executed by the trustee (or equivalent) of the plan. The account can be liquidated or transferred in less than 30-days. However, the notice period will serve as the basis for the computation of any pro-rata refund that is due on any unused portion of a prepaid quarterly management fee or in calculating advisory fees that will be due in the case of fees paid in arrears. A client can withdraw from this contract without penalty or fees, as it applies to Elliott Cove fees, within 5 business days of receipt of its Investment Advisory Contract.

Retirement program participants should be aware that mutual funds whose shares are held in client accounts pay advisory and other fees and expenses out of the fund's assets. These are referred to as operating expenses by mutual fund companies. These operating expenses are charged by the mutual fund companies regardless of which Investment Advisor you select and are assessed by and for the benefit of the mutual fund company. Elliott Cove does not share in any fees assessed by mutual fund companies.

\* Institutional retirement plan fees do not apply to employer SIMPLE and SEP IRA plans for which each participant has their own custodial account.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

## Item 7 – Types of Clients

Elliott Cove provides advisory services to the following types of clients:

- Individuals
- Pension and profit-sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

Minimum account size is \$25,000, although Elliott Cove reserves the right to accept accounts lower than our minimum account size.

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

### Primary Method of Analysis

The mutual and exchange traded funds utilized are analyzed to ensure they are low-cost, transparent and utilize academic research to make investment decisions. Elliott Cove also analyzes these funds using back-testing to determine the specific combination of investment vehicles that we believe will generate the best return for the lowest levels of risk. We analyze to ensure that we are diversified across all asset classes. Elliott Cove has strong beliefs in the efficient market hypothesis - that financial markets are highly efficient, and it is extremely difficult in the long run to "beat" them. We make this work for our clients by targeting different risk factors in the market, rather than attempting to circumvent it. Our portfolios are made up of Dimensional Fund Advisors (DFA) Mutual Funds and Exchange Traded Funds (ETFs).

## Investment Strategies

Elliott Cove Portfolios are comprised of, but are not limited to, no-load open-ended mutual funds and exchange traded funds ("ETFs"). The Elliott Cove Portfolios have been constructed with guidelines that govern the risk profile of each portfolio and its on-going management.

Changes in a standard Elliott Cove Portfolio will be made if:

1. The risk of the portfolio drifts outside the policy boundaries;
2. A new investment vehicle becomes available with characteristics Elliott Cove considers superior to one or more of the components of the portfolio;
3. Advances in research dictate that a change can markedly improve the risk-reward characteristics of the portfolio;
4. The specific investment goals and desires of individual clients warrant changes in a custom portfolio. Elliott Cove does not make changes in reaction to short term activity in equity and fixed income markets, although clients are free to change their portfolios (standard) or portfolio composition (custom) in response to their perceptions of market risk and other factors.

The goal at Elliott Cove is to obtain for our investors the largest possible return with the lowest amount of risk. We believe that this is best achieved through the use of no-load open-ended mutual funds and exchange traded funds ("ETFs"), not through individual stock picking or market timing.

## Risk of Loss

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there can be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in value of client investments. This is also referred to as systematic risk.
- **Company Risk** – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company can be reduced.
- **Fixed Income Risk** – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Mutual Fund Risk** – When investing in a mutual fund, you will bear additional expenses based on your pro rata share of the mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying securities the mutual fund holds.
- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

No investment is free of risks. Current and prospective Elliott Cove customers are cautioned that investments in securities involve risk of loss, including the possibility of a complete loss of the amount invested. All investors should be prepared to bear these risks. One of Elliott Cove's foremost priorities is to ensure clients understand the investment risks they choose to take and help them select investment strategies that are appropriate for their risk tolerance.

## Investment Policy for Elliott Cove Portfolios

### Purpose and Philosophy

This policy sets forth the philosophy, rules and guidelines underlying the development and ongoing management of the Elliott Cove Capital Management investment portfolios described in more detail further on in this [Item 8](#) (the "Elliott Cove Portfolios"). It begins with a broad review of the Elliott Cove philosophy, and then details the specific information regarding portfolio creation and maintenance. This policy statement also includes the specific asset class allocation selections and the ranges that Elliott Cove uses in its diversification process.

The defining feature of the Elliott Cove Portfolios is that they are constructed using investment products that include, but are not limited to, load and no-load index-type mutual funds, (including both open-end and closed-end funds), exchange traded funds ("ETFs"), or other products in a process we term Disciplined Asset Allocation. This process is based on the efficient market hypothesis - that financial markets are highly efficient, and it is extremely difficult in the long run to "beat" them. We make this work for our clients, rather than attempting to circumvent it.

Disciplined Asset Allocation uses principles of diversification to lower risk, while attempting to achieve superior risk-adjusted returns. Diversification, in this process, means more than simply a collection of unrelated securities; it means carefully constructed portfolios designed to achieve favorable risk-return characteristics by combining asset classes and styles in a controlled manner.

We then monitor and alter (rebalance) the Elliott Cove Portfolios to keep them in line with their original risk parameters, hence the term "disciplined." Our goal is to achieve long term superior returns, per unit of risk, with the risk level determined by our clients.

This Policy translates these principles into specific portfolio characteristics. By being rigorous and well-defined in our asset management process, Elliott Cove attempts to ensure that the risk parameters and portfolio characteristics will not "drift" over time from their original intent. It is a major characteristic of our portfolios that we concentrate first upon risk, with returns following from the specific risk profile and market behavior of different asset classes. This contrasts sharply with investment management styles that focus on returns, allowing risk to shift from the original profile of the portfolio in the search for higher returns.

## Responsibilities

1. Elliott Cove has an Investment Committee appointed by its Board. The Investment Committee is responsible for establishment and amendment of the Investment Policy Statement; for setting the Elliott Cove Portfolio objectives, risk ranges and asset allocation ranges; for establishing a rebalancing policy; and for the selection of investment managers for the Elliott Cove Portfolios, as appropriate. Any significant change to the Elliott Cove Portfolios, including acceptance of the data that prompted the changes, must be approved by the Investment Committee and adopted as Investment Policy. Amendments to the Investment Policy Statement must be approved by a majority of the committee members in attendance at a duly called Elliott Cove Investment Committee meeting and submitted to the Board of Elliott Cove in writing. Current members of the Investment Committee are:

Ralph Chiocco  
Willi Schatz  
Nik Grosch

2. The Elliott Cove Portfolios will be managed by professional investment managers registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). These investment managers (the "Managers") will have the responsibility and discretion for day-to-day investment decisions regarding the Elliott Cove Portfolios' assets assigned to them including specific security selection and timing of purchases and sells.

3. Elliott Cove will employ a professional corporate custodian (the "Custodian") to hold funds of Elliott Cove clients. The Custodian will have the responsibility for safekeeping cash and securities, collections and disbursements, and providing account statements as instructed.

## Portfolio Objectives and Asset Class Ranges

The Elliott Cove Portfolios have been constructed with guidelines that govern the risk profile of each portfolio and its on-going management. These guidelines are in place to ensure that the Elliott Cove Portfolios will continue to hold to their original intent with similar risk in relation to the market, using the standard deviation of the S&P 500 over the preceding 10 years as the risk benchmark. (Please Note: the dividend adjusted S&P 500 Index is presented solely to provide a tool for judging the risk and returns of the Elliott Cove Portfolios relative to this widely recognized market indicator. Due to substantial differences between the S&P 500 Index and the Elliott Cove Portfolios' composition, the Index is not intended to be used as a performance benchmark for the Elliott Cove Portfolios.)

Changes in a standard Elliott Cove Portfolio will be made if:

1. The risk of the portfolio drifts outside the policy boundaries;
2. A new investment vehicle becomes available with characteristics Elliott Cove considers superior to one or more of the components of the portfolio;
3. Advances in research dictate that a change can markedly improve the risk-reward characteristics of the portfolio;
4. The specific investment goals and desires of individual clients warrant changes in a custom portfolio. Elliott Cove does not make changes in reaction to short term activity in equity and fixed income markets, although clients are free to change their portfolios (standard) or portfolio composition (custom) in response to their perceptions of market risk and other factors.

The goal at Elliott Cove is to obtain for our investors the largest possible return with the lowest amount of risk. We believe that this is best achieved through the use of asset-class index type mutual funds, not through individual stock picking or market timing.

Selecting the appropriate weightings for the Portfolios consists of using combinations of asset classes to move the Portfolios toward what Modern Portfolio Theory terms the "efficient frontier." Within this process, it is important to analyze data over long periods of time to reach meaningful conclusions about the risk-return profile of various asset classes since the profiles can be, and usually are, significantly different over sub-intervals. Because no one can forecast what the particular returns of an asset class will be over a short period of time, it is preferable to base portfolio management on long-term statistical relationships and forego attempts to catch short-term swings through market timing.

It is apparent from research spanning 70 years of historical market performance, done with cross-sectional analysis of international markets, that there is a clear enhancement of equity market returns by focusing on small cap versus large cap stocks. However, this benefit comes at the price of higher volatility, i.e. risk. This latter point underscores the need to diversify broadly to capture the greater returns while mitigating the risk associated with doing so. Large cap stocks behave differently from the small cap asset class and their inclusion reduces portfolio risk (volatility) by capturing the un-correlated returns of the different classes.

In all our Elliott Cove Portfolios we have included a portion allocated to real estate as this provides both diversification from equities and what have been solid returns over the past several decades. Many investors do not have exposure to real estate in their mutual funds or managed accounts, but we believe there is a clear benefit from having an exposure to this key asset class.

We also maintain an exposure to foreign equities in selected Elliott Cove Portfolios. By including foreign equities, the portfolios are given exposure to areas not solely dependent on the U.S. market, thereby providing a further level of diversification. At the same time, foreign equities are limited since risk exposure quickly increases with concentration.

The Investment Committee will set a target allocation for each asset class, within the range set out in our Investment Policy. The Committee will meet periodically to review the target allocation, and adjust the targets when deemed appropriate.

## Item 9 – Disciplinary Information

Like other registered investment advisers, Elliott Cove is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a customer's evaluation of Elliott Cove or the integrity of Elliott Cove's management. No events have occurred at Elliott Cove that are applicable to this item.

## Item 10 – Other Financial Industry Activities and Affiliations

### Insurance Agent

In a capacity separate from Elliott Cove your investment adviser representative will also serve as an insurance agent under the affiliated insurance agency Elliott Cove Insurance Agency and Elliott Cove Capital Insurance Agency. When acting in his or her separate capacity as an insurance agent, your investment adviser representative will commonly recommend insurance and/or annuity products that generally pay commissions to the insurance agent which vary depending upon the particular product recommended. Consequently, your investment adviser representative of Elliott Cove Capital Management has an economic incentive to recommend the insurance and annuity products with a higher commission rate, which is a conflict of interest.

The receipt of commissions on insurance products also presents a conflict of interest because it can create an incentive for your investment adviser representative to place your assets in insurance products rather than advisory accounts, depending on which pays more. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

Elliott Cove Capital Management has taken steps to manage these conflicts of interest by requiring that each investment adviser representative (i) only recommend insurance and annuities when in the best interest of the client and without regard to the financial interest of Elliott Cove Capital Management and its investment adviser representative, (ii) not recommend insurance and/or annuities which result in investment adviser representative and/or Elliott Cove Capital Management receiving unreasonable compensation related to the recommendation, and (iii) disclose in writing to a client any material conflicts of interest related to insurance or annuity recommendations.

Insurance Companies Elliott Cove Capital Management works with may offers special incentive compensation while our investment adviser representatives act in their separate capacity as insurance agents, if they meet certain overall sales goals by placing annuities and/or other insurance products through the Company. A client could perceive that the receipt of commissions and additional incentive compensation itself creates a conflict of interest and would affect our independent judgment. However, this conflict is mitigated by the fact that we have a fiduciary responsibility to place the best interest of the client first and clients are not required to purchase any insurance products through us in our separate capacity as insurance agents.

### Registered Representative of a Broker/Dealer

Neither Elliott Cove nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of the foregoing, and Elliott Cove does not anticipate such affiliations in the future. However, one of our employees William Schatz is a Registered Representative of, Lincoln Investment, a broker-dealer not related to Elliott Cove.

You can work with Mr. Schatz in his separate capacity as a registered representative of Lincoln Investment.

As a result of this relationship, Lincoln Investment will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about clients of Elliott Cove, even if a client does not establish any account through Lincoln Investment. If you would like a copy of the privacy policy of Lincoln Investment, please contact Elliott Cove.

When acting in his separate capacity as a registered representative, Mr. Schatz will sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, Mr. Schatz will suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a

commission in his separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of Mr. Schatz in this separate capacity or to use Lincoln Investment and can select any broker/dealer you wish to implement securities transactions. If you select Mr. Schatz to implement securities transactions in his separate capacity as a registered representative, you must use Lincoln Investment. Prior to effecting any such transactions, you are required to enter into a new account agreement with Lincoln Investment. The commissions charged by Lincoln Investment can be higher or lower than those charged by other broker/dealers. In addition, Mr. Schatz will also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.]

## Item 11 – Code of Ethics

### Code of Ethics Summary

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Elliott Cove has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. Elliott Cove's Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Elliott Cove requires its supervised persons to consistently act in your best interest in all advisory activities. Elliott Cove imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Elliott Cove. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

### Affiliate and Employee Personal Securities Transactions Disclosure

Elliott Cove or supervised persons of the firm can buy or sell for their personal accounts, investments identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Elliott Cove that all persons supervised in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. As is required by our internal procedures manual, Elliott Cove and its supervised persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, supervised persons). Any supervised person not observing our policies is subject to sanctions up to and including termination.

Elliott Cove and its supervised persons do not recommend to clients' securities in which Elliott Cove or a related person has a material financial interest. We do not act as principal to our clients; we do not act as general partner in a partnership in which we solicit client investments; and we do not act as an investment adviser to an investment company that we recommend to clients.

A copy of our Code of Ethics will be provided to any client or prospective client upon request.

Section 204A of the Advisers Act requires every registered investment adviser to establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by the adviser or by any person associated with the adviser. Elliott Cove requires prompt internal reporting of any violations of this section to its Chief Compliance Officer.

Elliott Cove usually purchases and sells shares of registered mutual funds for its clients. In this case, trading activity generated by inside information cannot affect the price of shares of a mutual fund because the daily market price of a fund's shares is determined by the net asset value of the fund's portfolio, not by the volume of trading in those shares. However, Elliott Cove can also engage in the purchase and sale of ETFs. Trading of ETFs can be affected by inside information.

Trading activity generated by inside information can affect the price of publicly traded shares of mutual fund sponsors, investment advisers, administrators and distributors. Accordingly, Elliott Cove has adopted policies and procedures that are designed to detect and prevent the misuse by Elliott Cove or by any person associated with Elliott Cove of material, nonpublic information concerning publicly traded mutual fund sponsors, advisers, administrators and distributors.

These policies and procedures are also designed to detect and prevent actual and conflicts of interest that can arise if Elliott Cove or any person associated with Elliott Cove has an interest in securities that are recommended for purchase or sale by Elliott Cove clients.

Every Elliott Cove director, officer and employee is required to read these policies and procedures and to certify, by signing and returning an acknowledgment page to Elliott Cove's Chief Compliance Officer, that he or she will comply with those policies and procedures.

## Disclosure of Conflicts of Interest

- a) Every Elliott Cove director, officer and employee must inform the Chief Compliance Officer within 24 hours of finalizing any business arrangement with a mutual fund sponsor, adviser, administrator or distributor, including any arrangement entered into by a company or entity controlled by that director, officer or employee.
- b) If that arrangement is with the sponsor, adviser, administrator or distributor of a fund that is recommended for purchase or sale by Elliott Cove clients, Elliott Cove's federal and state registration must be amended immediately to disclose that conflict of interest.
- c) In addition, Elliott Cove's brochure and any other advertising or sales literature sent to clients and prospective clients must be amended immediately to disclose the conflict of interest.

## Personal Securities Trading

- a) Under rule 204A-1 of the Adviser's Act, certain supervised persons, called "access persons," are required to report their personal securities transactions and holdings. An access person is a supervised person who has access to nonpublic information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are nonpublic. Dual Employees are not regarded as access persons. Dual Employees do not have access to nonpublic information regarding Elliott Cove Portfolios nor do they take part in making securities recommendations as it pertains to the composition of our Portfolios. These functions are contained within the Elliott Cove Investment Committee and not made public until communicated by the Committee. Rule 204A-1 (a)(3). Section 202(a)(25) of the Advisers Act [15 U.S.C. 80b-2(a)(25)] defines "supervised person." An adviser's supervised persons are its partners, officers, directors (or other persons occupying a similar status or performing similar functions) and non-dual employees. Every Elliott Cove director, officer and employee must report to the Chief Compliance Officer any transactions affecting any securities transaction in which they, their families, or trusts of which they are trustees or in which they have a beneficial interest, acquire an interest in an issuer involved directly or indirectly in the mutual fund industry.
- b) Rule 204A-1 of the Adviser's Act requires a complete report of each access person's security holdings, both at the time the person becomes an access person and at least once a year thereafter. These security holding reports must be current as of a date not more than 45 days prior to the individual becoming an access person or the date the report is submitted (annual report).
- c) Each director, officer and employee, regardless of whether they have executed any transactions mentioned in paragraph a) above, must submit a securities transaction log to the Compliance Officer within thirty days after the end of each calendar quarter detailing transaction activity.
- d) Three exceptions to personal securities reporting are allowed, two of which apply to Elliott Cove and for which no reports are required by it:
  - i. With respect to transactions effected pursuant to an automatic investment plan. Any transaction that overrides the preset schedule or allocations of the automatic investment plan must be included in a quarterly transaction report.
  - ii. With respect to securities held in accounts over which the access person had no direct or indirect influence or control.
- e) Each director, officer and employee is regarded as an "access person." Access persons must submit holdings and transaction reports for "reportable securities" in which the access person has, or acquires, any direct or indirect beneficial ownership. An access person is presumed to be a beneficial owner of securities that are held by his or her immediate family members sharing the access person's household. Rule 204A-1 treats all securities as reportable securities, with five exceptions designed to exclude securities that appear to present little opportunity for the type of improper trading that the access person reports are designed to uncover:
  - i. Transactions and holding in direct obligations of the Government of the United States.
  - ii. Money market instruments, banker's acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments.
  - iii. Shares of money market funds.
  - iv. Transactions and holdings in shares of other types of mutual funds, unless Elliott Cove or a control affiliate acts as the investment adviser or principal underwriter for the fund.
  - v. Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.
- f) Elliott Cove requires access persons obtain prior approval from the Chief Compliance Officer before investing in an initial public offering ("IPO") or private placement.
- g) If the director, officer or employee has acquired an interest in an issuer that directly or indirectly sponsors, advises, administers or distributes any mutual fund that is recommended for purchase or sale to Elliott Cove clients, Elliott Cove's federal and state registration files must be amended immediately to disclose that interest. In addition, Elliott Cove's brochure and other advertising or sales literature sent to clients and prospective clients must be amended immediately to disclose the interest.

## Participation or Interest in Client Transactions

An employee of Elliott Cove can from time to time buy or sell shares of mutual funds that are also purchased or sold for Elliott Cove clients. The nature and timing of such personal investment transactions can differ from investment actions taken on behalf



of any client, depending on their respective investment goals. Elliott Cove does not discourage these purchases since the daily market price of a mutual fund's share is determined by the net asset value of the fund's portfolio, not by the volume of trading in those shares. Client transactions are executed prior to acceptance of orders placed on behalf of employees or related persons. These transactions are consistent with policies and strategies recommended by the firm.

## Item 12 – Brokerage Practices

### Custodian Recommendation for Asset Management Services

When an account is opened, Elliott Cove recommends Axos Advisor Services ("AAS") as the custodian of the client accounts. Elliott Cove does not receive from Axos Advisor Services either (1) commissions or fees of any sort or (2) research or other soft dollar benefits for this recommendation. We do not represent or guarantee that Axos Advisor Services platform is either more expensive or less expensive than others in the industry.

Elliott Cove has chosen AAS as the provider of custodian services because of the breadth of services offered to our clients, and for their pricing. The custodian will charge clients fees and expenses that are separate and distinct from our advisor fees. Elliott Cove Capital Management also receives benefits that may not be received if the firm did not use Axos Advisor Services. These benefits include receipt of duplicate confirmations, bundled duplicate statement, access to an electronic communications network for client account information, a trading platform, performance data relative to a client's account. Axos Advisor Services also provides clients with an account aggregation tool that is bundled with the price of their custodial fees.

One or more Elliott Cove personnel serve on the AAS advisory board. The purpose of the AAS advisory board is to provide the custodian with suggestions and expertise on the products and services Axos has chosen to develop. Having our personnel serve on the board allows Elliott Cove to voice its opinion on the service offering. Although no one affiliated with Elliott Cove is compensated for serving on the AAS advisory board, our staff members that attend AAS advisory board meetings in-person are reimbursed by AAS for the travel costs and expenses.

Transaction fees for the buying or selling of mutual funds are paid directly by Elliott Cove for the life of the account. The client does not pay trading fees for normal trades for mutual funds.

Investment advisors may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. Because the models we use to manage client portfolios are comprised of mutual funds there is no benefit to aggregation as they are sold or bought at the end of the day when the Net-Asset-Value has been determined. Moreover, our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

Elliott Cove does not allow for client self-directed brokerage arrangements.

## Item 13 – Review of Accounts

Customer accounts are reviewed monthly and quarterly. Reviews are triggered only by time elapsed since last review or major shock to the market. Portfolios in tax qualified accounts will be rebalanced quarterly in accordance with Investment Policy Statements. Portfolios in taxable accounts will be rebalanced when accounts are outside the asset allocation ranges established in the Investment Policy Statement.

Accounts to be reviewed will be distributed among the following individuals for review on a quarterly basis: Ralph Chiocco Jr., President & Chief Compliance Officer; William J. Schatz, Vice President, Investments; Nikki Whittle, Operations Manager, Nik Grosch, Operations Specialist. Reviews will be conducted to ascertain if the Portfolios are still in line with their prescribed allocation ranges. In addition, Elliott Cove employs Investment Advisor Representatives in the states of Alaska, Idaho and Washington. These Investment Advisor Representatives are responsible for day to day communication with clients and communicating any instructions they may receive from clients to the Elliott Cove main office. Other topics typically covered during customer meetings are:

- Changes to investment objectives, which are likely to evolve over time;
- Long-term strategic financial targets, and how well they match up with the current asset allocation;
- Current customer financial situation;
- Any other financial questions a customer may have.

Directly managed accounts receive quarterly reports indicating portfolio value and changes from previous reporting period. In addition, customers receive a notification of billing on a quarterly basis.

All account holders receive quarterly statements from Axos Advisor Services and have access to their account positions 24 hours a day, seven days a week. Our clients are encouraged to review their statement and to compare any performance data provided by Elliott Cove against the brokerage account statements provided by Axos Advisor Services.

## Item 14 – Client Referrals and Other Compensation

Elliott Cove also maintains relationships with non-affiliated banks employing select bank employees as Investment Advisor Representatives. These bank employees are dual employees in that they are employees of Elliott Cove and the banks simultaneously.

Elliott Cove does not pay any of the above dual employees for their investment advising activity. Instead, pursuant to investment advisory services agreements, Elliott Cove pays the banks a portion of its Advisory Fees for successfully acquired Elliott Cove clients.

Clients referred to us through a bank are charged fees on the same basis as they would have been had they not been referred through a bank and are not disadvantaged because of this referral program.

As a result of the relationships described above, the employees of non-affiliated banks have a conflict of interest when recommending Elliott Cove. A prospective client referred by a non-affiliated bank is under no obligation to utilize the investment advisory services of Elliott Cove. A prospective client referred to Elliott Cove is urged to make his or her own independent investigation and evaluation of Elliott Cove.

Moreover, a client referred to Elliott Cove by a non-affiliated bank should understand the following:

- Elliott Cove is not a bank or any other type of financial depository institution. Thus, your investment advisory account and the underlying investments that are recommended/selected do not receive the same protections that are provided through a bank or other depository institution.
  - The assets held in an investment advisory account at Elliott Cove are not considered deposits or obligations of a bank.
  - Assets held in investment advisory accounts established through Elliott Cove are subject to investment risk, including fluctuations in value and earnings and possible loss of principal amount invested
- With respect to the securities recommended or selected by Elliott Cove, such securities
  - Are not insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA);
  - Are not endorsed or guaranteed by the bank; and
  - Are subject to investment risks, including possible loss of principal invested.

## Item 15 – Custody

Elliott Cove does not take possession of client money or securities, although Elliott Cove generally has the authority to deduct its advisory fees from client accounts. Axos Advisor Services serves as custodian for all client accounts, except those 401(k) accounts currently third party administered by Northwest Plan Services, Inc., PCS Retirement, Retirement Plan Consultants, LT Trust, The Standard, Principal or Ascensus.

At least quarterly, customers receive account statements from the custodians that hold and maintain their managed account assets.

Customers are responsible and are encouraged to review these custodial statements and compare them with account information available online as provided by Axos Advisor Services. Online access is available seven days a week, 24 hours a day.

Customers should contact Elliott Cove immediately if any discrepancies or errors are discovered.

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

## Item 16 – Investment Discretion

When providing asset management services, Elliott Cove Capital Management maintains trading authorization over your account(s). It is our practice to provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

Provisions for discretionary trading will be memorialized, in writing, in our Advisory Agreement.



You will always have the ability to place reasonable restrictions on the types of investments purchased in your account(s). You can also place reasonable limitations on the discretionary power granted to Elliott Cove Capital Management as long as the limitations are specifically set forth or included as an attachment to the client agreement.

## Item 17 – Voting Client Securities

Elliott Cove Capital Management does not vote proxies on behalf of clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your account(s).

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

## Item 18 – Financial Information

Item 18 is not applicable to this brochure. Elliott Cove Capital Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Elliott Cove Capital Management has not been the subject of a bankruptcy petition at any time.

## Customer Privacy Policy Notice

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment adviser firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to non-affiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure. Elliott Cove Capital Management (**ECCM**) does not share or disclose customer information to non-affiliated third parties except as permitted or required by law.

ECCM is committed to safeguarding the confidential information of its clients. ECCM holds all personal information provided by clients in the strictest confidence and it is the objective of ECCM to protect the privacy of all clients. Except as permitted or required by law, ECCM does not share confidential information about clients with non-affiliated parties. If there were to be a change in this policy, ECCM will provide clients with written notice and clients will be provided an opportunity to direct ECCM as to whether such disclosure is permissible.

To conduct regular business, ECCM may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to ECCM
- Information about the client's transactions implemented by ECCM or others
- Information developed as part of financial plans, analyses or investment advisory services

To administer, manage, service and provide related services for client accounts, it is necessary for ECCM to provide access to customer information within the firm and to non-affiliated companies, *(including custodians and banks we contract with)*, with whom ECCM has entered into agreements. To provide the utmost service, ECCM may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on ECCM's behalf.

- Information ECCM receives from the client on applications (name, Social Security number, address, assets, etc.)
- Information about the client's transactions with ECCM or others (account information, payment history, parties to transactions, etc.)
- Information concerning investment advisory account transactions
- Information about a client's financial products and services transaction with ECCM

Since ECCM shares non-public information solely to service client accounts, ECCM does not disclose any non-public personal information about ECCM's customers or former customers to anyone, except as permitted by law. However, ECCM may also provide customer information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. If ECCM has a change to its customer privacy policy that would allow it to disclose non-public information not covered under applicable law, ECCM will allow its clients the opportunity to opt out of such disclosure.