



Form ADV Part 2a

— January 01, 2018 —

This Brochure provides information about the qualifications and business practices of Cove Street Capital, LLC (CSC). If you have any questions about the contents of this Brochure, please contact us at (424) 221-5897 or mtynan@covestreetcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

CSC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about CSC is also available on the SEC's website at www.adviserinfo.sec.gov.

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Form ADV Part 2A

Item 2 | Material Changes

This Brochure, dated January 1, 2018, replaces the last Brochure dated March 31, 2017.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year or sooner as they occur. You can obtain a copy of the Brochure at any time, free of charge, by contacting CSC.

The material updates made to Form ADV Part 2A since our last filing are:

Item 4 | Advisory Business

- ✓ Updated assets under management as of 12/31/2017.

Item 13 | Review of Accounts

- ✓ Updated the reviewer of account due to change in CCO.

Form ADV Part 2A

Item 3 | Table of Contents

Item 1 Cover Page	1
Item 2 Material Changes	2
Item 3 Table of Contents	3
Item 4 Advisory Business	4
Item 5 Fees and Compensation	5
Item 6 Performance-Based Fees and Side-By-Side Management	7
Item 7 Types of Clients	8
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9 Disciplinary Information	11
Item 10 Other Financial Industry Activities and Affiliations	11
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12 Brokerage Practices	13
Item 13 Review of Accounts	15
Item 14 Client Referrals and Other Compensation	15
Item 15 Custody	16
Item 16 Investment Discretion	16
Item 17 Voting Client Securities	16
Item 18 Financial Information	17

Item 4 | Advisory Business

A. Our Firm

Cove Street Capital, LLC (CSC) is an SEC-registered investment adviser with its principal place of business located in El Segundo, California. Cove Street Capital began conducting business in 2011.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

Jeffrey Bronchick, CFA | Principal, Portfolio Manager | Mr. Bronchick is the Portfolio Manager and cofounder of Cove Street Capital (CSC). He has over 30 years' experience running research-driven, concentrated, value-based strategies across all market capitalizations. Prior to the founding of CSC, Mr. Bronchick was the Chief Investment Officer and a lead principal of Reed Conner & Birdwell, LLC, a Los Angeles based investment manager. He was one of the first columnists for the TheStreet.com in the 1990's and then moved on to a similar role with Grant's Interest Rate Observer's first online effort. Mr. Bronchick also previously worked in equity research, sales and trading roles at Neuberger Berman, Bankers Trust, and First Boston. He attended the London School of Economics and graduated from the University of Pennsylvania with a BA in Economics.

B & C. Types of Advisory Services & Client Restrictions

CSC provides portfolio management for institutional and high net worth clients based upon the individual needs of the client. Through personal discussions with clients and their advisers, we agree upon goals and objectives that are compatible with our investment style and then create and manage portfolios based on that policy. Relevant factors in this data-gathering process include but are not limited to time horizons, risk-tolerance, liquidity needs and in the case of individuals, tax issues.

We manage these portfolios on a discretionary basis. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Once the client's portfolio has been established, we review and rebalance the portfolio on a regular basis per the client's objectives and investment considerations.

Our investments are focused on publicly traded securities that may include but are not limited to:

- ✓ Exchange-listed securities
- ✓ Securities traded over-the-counter
- ✓ Foreign issuers (ADRs and US listed)
- ✓ Warrants
- ✓ Corporate debt securities (other than commercial paper)
- ✓ Loan participations
- ✓ Certificates of deposit
- ✓ Municipal securities

Form ADV Part 2A

- ✓ Mutual fund shares
- ✓ United States governmental securities
- ✓ Mortgage backed securities
- ✓ Exchange traded funds ("ETFs")
- ✓ Public master limited partnerships
- ✓ Real estate investment trusts ("REITs")

Because some types of investments involve certain additional degrees of risk, they will only be implemented when they are consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. We are not limited to any specific product or service offered by a broker-dealer or insurance company.

D. Wrap/UMA/Sub-Advisory/Advisory

Aside from Portfolio Management Services, CSC has entered into relationships with select WRAP and UMA program sponsors (collectively "Manager"). These are sub-advisory relationships where the Manager provides investment supervisory services to its clients, including making recommendations concerning an investment adviser to render specific investment advice with respect to a client's portfolio. The client enters into an agreement with the Manager who has a separate master agreement with CSC. For WRAP accounts CSC may effect transactions through other broker-dealers, but it is expected that most of the transactions will be executed through the Manager because part of the negotiated fee includes brokerage commissions and trading costs. We manage these relationships on a discretionary basis. CSC attempts to manage these accounts in the same manner as our non-wrap accounts. For UMA program accounts, CSC provides a model to the Manager and the Manager effects the transactions in the client accounts.

CSC is the investment adviser to the Cove Street Capital Small Cap Value Fund and the sub-adviser to the Litman Gregory Masters' Select Smaller Companies Fund.

E. Assets Under Management

As of December 31, 2017 we actively managed \$1,043 MM of clients' assets on a discretionary basis.

Item 5 | Fees and Compensation

Portfolio Management Fees (Advisory Fees). Our annual fees for portfolio management services are based upon a percentage of assets under management, generally range from 0.50% to 1.25%, and are payable either monthly or quarterly in advance or arrears. For eligible client accounts, performance-based fees may be negotiated in appropriate circumstances. For more information on how CSC addresses the potential conflict, please see the response in Item 6 below.

Fees may change over time and different fee schedules may apply to different types of clients, strategies and advisory arrangements. Under certain circumstances, fees may be negotiated on

Form ADV Part 2A

a basis different from CSC's stated fee schedules. In such cases, CSC reserves the right to waive or reduce the fees charged to a particular client in its sole and absolute discretion.

A minimum of \$10MM of assets under management is required for our management services. This account size may be negotiable under certain circumstances. CSC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Wrap/UMA/Sub-Advisory/Advisory. For these services, the client will pay the Manager for its services and for the services of CSC on a quarterly or monthly basis in advance or arrears according to a negotiated fee schedule. The agreement may be terminated at any time at the written request of the client, Manager, or CSC, in which case a pro-rated refund will be made. Typically, the fee to the Manager ranges from 1% to 3% per annum of assets under management. From the fee paid to the Manager, CSC receives 0.38% - 0.95% on the entire balance of the account. Most Managers collect the entire fee and pay the advisory portion due to CSC after collecting such fees. The agreement cannot be assigned without the full knowledge and consent of the client. Generally, the minimum account size in these programs is \$100,000; but may be higher. CSC does not include the UMA assets in its assets under management.

If you invest the Cove Street Capital Small Cap Value Fund, you pay fees as detailed in the prospectus (available by calling 866-497-0097, via email questions@covestreetcapital.com or on the website <http://covestreetfunds.com>).

Limited Negotiability of Advisory Fees. Although CSC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client; assets to be placed under management; anticipated future additional assets; related accounts; portfolio style; account composition; and reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

General Information

Termination of the Advisory Relationship. A client has the right to terminate his/her contract without penalty within five business days after entering contract. After the initial five-day period, the agreement may be terminated upon written notice by either party. Upon termination, fees will be prorated to the date of termination. If any fees are prepaid, unearned fees will be promptly refunded.

Additional Fees and Expenses. In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager executes transactions for the client account(s). Please refer to the Brokerage Practices section (Item 12) of this Form ADV for additional information. On occasion, CSC may invest a portion of a client's assets in mutual funds (and similar investment vehicles such as ETFs) which also charge internal management fees, which are disclosed in those fund's prospectuses. Such charges, fees, and commissions are exclusive or, and in addition to, CSC's fee, and CSC shall not receive any portion of these commissions, fees and costs.

Grandfathering of Minimum Account Requirements. Pre-existing advisory clients are subject to CSC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

ERISA Accounts. CSC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, CSC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

Advisory Fees in General. Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Wrap Fee Programs. Clients participating in a wrap fee program pay a single fee for advisory, brokerage and custodial services. Clients' portfolio transactions may be executed without commission charge. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

Limited Prepayment of Fees. We do not require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

Direct Billing of Advisory Fees. Clients may request that fees owed to CSC be deducted directly from the client's custodial account. In instances where a client has authorized direct billing, CSC takes steps to assure that the client's custodian sends monthly or quarterly account statements showing all transactions in the account, including fees paid to CSC, directly to the client. Generally, CSC will invoice clients for their advisory fees whether direct billing is used or not. Clients have the option to be billed by invoice and pay CSC directly rather than having fees deducted from their account.

Item 6 | Performance-Based Fees and Side-By-Side Management

CSC may receive a performance-based fee as compensation for its advisory services. To the extent that CSC manages accounts that are charged a performance-based fee side-by-side with accounts that are not charged a performance-based fee, CSC periodically reviews allocations of investment opportunities among clients and sequencing of transactions and performs a comparative analysis of the performance among accounts with performance-based fees and those without to insure that all accounts are treated fairly.

Similarly, a conflict could exist if CSC were to favor accounts with performance-based fees in the allocation of investment opportunities. To address this conflict, CSC maintains policies and procedures designed to treat all clients fairly when aggregating and allocating investment opportunities and periodically reviews allocations and sequencing of nonperformance-based fee

account transactions. Please also refer to the Brokerage Practices section (Item 12).

Item 7 | Types of Clients

Cove Street Capital provides advisory services to the following types of clients:

- ✓ Charitable organization,
- ✓ High Net Worth,
- ✓ Insurance Companies
- ✓ Investment Companies,
- ✓ Pension and profit sharing plans,
- ✓ Pooled investment vehicle
- ✓ Individual,
- ✓ Corporations or other businesses,
- ✓ State or municipal government

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

Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors which include, but are not limited to, the overall economy, industry conditions, and the financial condition and management of the company itself to assess in our opinion if a security is underpriced relative to its market value. If we assess that the company is underpriced relative to our estimate of intrinsic value, we are potential buyers and if it is overpriced, we will not make a purchase or may sell the security if we own it.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential short-term risk, as the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the stock.

Investment Strategies

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Form ADV Part 2A

CLASSIC VALUE | SMALL CAP

Small Cap Value is a concentrated small cap value strategy that applies a fundamental, bottom-up stock selection process within a universe of approximately 3,500 US companies with a market capitalization below \$3 billion, as well as a relevant universe of non-US companies.

We consistently run computer screens to identify “fishing pools” of statistically cheap securities and highly desirable business models. We also draw upon a deep cumulative well of investment experience and industry contacts to find and identify ideas. Cove Street “team tackles” fundamental business model drivers and establishes intrinsic value targets with a multivariate approach, incorporating discounted cashflow, historical valuation metrics, and private market and asset-based valuations. We pay careful attention to “management” and quantitatively review historical capital allocation decisions as well as Board composition and compensation structure.

The portfolio holds 30 to 39 stocks and PM Jeffrey Bronchick is responsible for the final portfolio decision. Sector weightings are a result of the bottom-up approach. We have a 30% risk limit in any single industry and a 10% limit on any single security. We are very mindful of the negative correlation between asset growth and performance, and Cove Street will err on the side of protecting existing clients and close the strategy in the face of aggressive asset flow.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early. Stocks are sold when their price no longer reflects a margin of safety or we have identified materially better values in other stocks.

CLASSIC VALUE | SMALL CAP PLUS

Small Cap Plus Value (Plus) represents a logical extension of Cove Street's experience and expertise within the domestic small cap value investment world. The strategy was created as a result of internal observations regarding compelling investment opportunities within the \$3 billion to \$12 billion market cap range and interest from large institutions who were looking for the ability to take material capacity in our strategy.

In addition, the intellectual backing for Plus is the result of several conclusions honed over the years. These include an increasingly stratified investing world in which all strategies have to fit into a specific box creates a “doughnut hole” in that there is a group of stocks that may have less of a natural home as they don't fit perfectly into small or large. There is a geometric uptick in management systems, processes and management depth in companies of this size, i.e. you get more for what you are paying than in the smaller cap world. There is a meaningful increase in liquidity, enabling larger position sizes and more concentration.

The strategy invests in companies within the \$1 billion to \$12 billion market cap range. Our fishing pool is made up of both new ideas that are north of \$3 billion, the current small cap and all cap portfolios, and again, stocks whose only “issue” is they are no longer small cap but can be held here. The ability to entertain a larger market cap enables this advantages to

Form ADV Part 2A

compound longer for clients in Plus. It also enables the portfolio to be more concentrated with less business risk--"twenty something" names with lower turnover.

Sector weightings and position sizing are a result of the bottom-up approach. We have a 30% risk limit in any single industry and a 10% limit on any single security. We are very mindful of the negative correlation between asset growth and performance, and Cove Street will err on the side of protecting existing clients and close the strategy in the face of aggressive asset flow.

CLASSIC VALUE | SMALL CAP FOCUS

Small Cap Focus is a concentrated strategy of the 8 to 13 "best ideas" from our Classic Value | Small Cap strategy.

CLASSIC VALUE | ALL CAP

All Cap Value is a fundamental, bottom-up stock selection within an unrestricted, global universe.

We consistently run computer screens to identify "fishing pools" of statistically cheap securities and highly desirable business models. We also draw upon a deep cumulative well of investment experience and industry contacts to find and identify ideas. Cove Street "team tackles" fundamental business model drivers and establishes intrinsic value targets with a multivariate approach, incorporating discounted cashflow, historical valuation metrics, and private market and asset-based valuations. We pay careful attention to "management" and quantitatively review historical capital allocation decisions as well as Board composition and compensation structure.

The portfolio holds 20 to 25 stocks and PM Jeffrey Bronchick is responsible for the final portfolio decision. Sector weightings are a result of the bottom-up approach. We have a 30% risk limit in any single industry and a 10% limit on any single security.

Less is more in regards to portfolio turnover, as experience has proven that the quality of decision-making decreases with frequency. That said, mistakes are inevitable and our concentrated research assists in identifying errors relatively early. Stocks are sold when their price no longer reflects a margin of safety or we have identified materially better values in other stocks.

CLASSIC VALUE | STRATEGIC

Strategic Value is a classic balanced strategy seeking absolute returns throughout market cycles by investing across the corporate capital structure and holding cash when alternative investment opportunities are not forthcoming. In contrast to what is broadly called a "hedge fund," Strategic Value has a transparent process, does not use leverage or shorting and fees are reasonable. The portfolio uses an all cap equity universe with a global opportunity set and an opportunistic fixed income strategy utilizing the firm's bottom-up credit research.

Risk of Loss

Investing involves risks. Our research attempts to distinguish between permanent loss and “quotational” risk as defined by a general decline in the financial markets as a whole. Our security analysis methods rely on the assumption that the companies whose securities we purchase and sell, and other publicly available sources of information about these securities, are providing accurate data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate, misleading or fraudulent information.

Focus. Our portfolios are much more concentrated than the large indices of stocks. As a result, we may experience greater volatility than market indices and our performance may not be tightly correlated to market indices in the short-run.

Sector Focus. The portfolios may be more heavily invested in certain sectors, which may cause the value of their shares to be especially sensitive to factors and economic risks that specifically affect those sectors and may cause the value of the portfolios to fluctuate more widely than a comparative benchmark.

Small Capitalization (Small Cap) Companies. Some of our investment strategies include smaller capitalization companies. In periods of market duress, these securities may have greater price volatility and less liquidity than larger companies.

Equity Investments. Regardless of any one company’s particular prospects, a declining stock market may produce a decline in prices for all equity securities, which could also result in losses.

Fixed Income. Fixed income securities are subject to the risk of an issuer’s ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). The market values of fixed income securities tend to vary inversely with the level of interest rates. When economic conditions appear to be deteriorating, medium to lower rated securities may decline in value due to heightened concern over credit quality, regardless of prevailing interest rates.

Item 9 | Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 | Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Cove Street Employee Co, LLC is a holding company for interest(s) in Cove Street Capital, LLC which grants Mirror Interests as part of the Cove Street Capital LLC Incentive Interest Plan.

Item 11 | Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

CSC has adopted a Code of Ethics (the "Code") pursuant to SEC rule 204a-1 of the Investment Advisers Act of 1940, as amended pursuant to Rule 17j-1 of the Investment Company Act of 1940, as amended.

A basic tenet of CSC's Code is that the interests of clients are always placed first. CSC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code but also to the general principles that guide the Code. There are five major responsibilities that demonstrate its commitment as a trust fiduciary. They are; 1. To put the client's interests first, 2. To act with the utmost good faith, 3. To provide full and fair disclosure, 4. To not mislead clients, and 5. To expose all conflicts of interests to clients. The Code includes standards of business conduct requiring all access persons to comply with the federal securities laws and the fiduciary duties as an investment adviser owes to its clients.

Accordance with our duty to provide full and fair disclosure, CSC and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security (or securities) which may also be recommended to a client. Individuals associated with our firm may also use information they obtain in connection with their investment activities on behalf of clients for their own personal benefit in limited circumstances. Specially, the spouse of one of our analysts has entered into a consulting agreement with a company that is a portfolio holding in our fund(s) and advisory clients (collectively "investors") involving the development of marketing the company's products in Asia. We have taken additional steps to confirm that this consulting relationship does not involve the receipt or use of material non-public information.

A complete copy of the Code is available, at no charge, to any client or prospective client upon request.

B. Participation or Interest in client transactions

Our firm does not engage in principal transactions, cross-trading or agency cross transactions. Any exceptions to this policy must be reviewed and approved in advance by the CCO.

C: Personal Trading

CSC has adopted the following principles governing personal investment activities by all access persons:

- ✓ The interests of client accounts will at all times be placed first;
- ✓ All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- ✓ Access persons must not take inappropriate advantage of their positions.
- ✓ Access persons must obtain trade pre-clearance approval for any reportable security for a covered account by the CCO or other designee.

Detailed policies and procedures for personal trading are included in our Code of Ethics. A complete copy of the Code is available upon request.

Item 12 | Brokerage Practices

For discretionary clients, CSC requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions. These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

CSC will endeavor to select those brokers or dealers, which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, access to liquidity and other services that help CSC in providing investment management services to clients.

CSC will use block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price.

CSC's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or is inconsistent with the client's advisory agreement with CSC, or our firm's order allocation policy.
2. The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

3. The trading desk must reasonably believe that the order aggregation will benefit and will enable CSC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. An electronic order is generated using our OMS system to generate a ticket which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day may be allocated either pro-rata among the participating client accounts in accordance with the initial order ticket or using an automated randomizer to avoid having odd amounts of shares held in any client account and to avoid excessive ticket charges in smaller accounts on partial fills.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a prorated basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. CSC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
8. Funds and securities for aggregated orders are clearly identified on CSC's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
9. No client or account will be favored over another. A pre-trade randomization of all blocks available to trade is applied to the blocks on the OMS system, Advent Moxy. From time to time, market conditions and/or client-specific guidelines can prove to be an exception.

Directed Brokerage

CSC may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Any client instructions to CSC are to be in writing with appropriate disclosures that for any directed brokerage arrangements CSC will not negotiate commissions, may not obtain volume discounts or aggregate directed transactions, and that commission charges will vary among clients and the ability to obtain best execution may be hindered. Directed brokerage clients which are not included in blocked orders, may at times see deviation from the randomized trading order due to the blocked orders participating in dark pools or interacting with natural block liquidity via brokers outside of the directed relationship.

Transactions for a client that directs brokerage are generally unable to be combined or "blocked" for execution purposes with orders for the same securities for other accounts managed by CSC.

Form ADV Part 2A

Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the blocked order. Under these circumstances, transactions may result in higher commissions, greater spreads or less favorable net prices that might be the case if CSC could negotiate commission rates or spreads freely, or select broker-dealers based on best execution. Consequently, best price and execution may not be achieved.

Soft Dollars

CSC, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

Item 13 | Review of Accounts

Reviews. The underlying securities within Portfolio Management Services accounts, as well as the accounts themselves, are continually monitored and reviewed. Accounts are reviewed in the context of each client's stated investment objectives and guidelines and changes are made for reasons which include, but are not limited to, individual security pricing, the client's individual circumstances, or the market, political or economic environment.

These accounts are continually reviewed by the entire investment team led by Portfolio Manager Jeffrey Bronchick. They are periodically reviewed by Merihan Tynan, Principal & Chief Compliance Officer and Matt Weber, Principal & President.

Reports. In addition to the quarterly statements and confirmations of transactions that Portfolio Management Services clients receive from their custodian, CSC will provide quarterly reports summarizing account performance, balances and holdings.

Item 14 | Client Referrals and Other Compensation

CSC does not have any solicitation arrangements or pay non-related persons for referring potential clients to our firm.

It is CSC's policy that no investment person or access person may accept any gift or other compensation of more than an aggregate value of \$250 within a calendar year, from any person or entity that does business with or on behalf of CSC, or seeks to do business with or on behalf of CSC. Gifts in excess of this value must either be returned to the donor or paid for by the recipient. It is not the intent to prohibit the everyday courtesies of business life. Therefore, excluded from this prohibition is an occasional meal, ticket to a theater, entertainment, or sporting event that is an incidental part of a meeting that has a clear business purpose.

Item 15 | Custody

CSC does not take possession of client funds or securities.

As an advisor, for a few accounts have authority to deduct management fees from the client's accounts directly. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the statements that clients receive directly from their custodians, CSC also sends account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

CSC provides investment advisory services only and does not have actual or constructive custody of client assets. These services are provided by a qualified custodian.

Item 16 | Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- ✓ determine the security to buy or sell
- ✓ determine the amount of the security to buy or sell
- ✓ the broker-dealer through whom securities are bought or sold
- ✓ the commission rates as which securities for client accounts are affected
- ✓ the prices as which securities are to be bought or sold

Clients give us discretionary investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 | Voting Client Securities

We will vote proxies for client accounts; however, a client always has the right to vote proxies

themselves. A client can exercise this right by instructing us in writing to not vote proxies in the account. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

CSC will vote proxies in the best interests of its clients and in accordance with its established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, and a copy of each written client request for information on how the adviser voted the proxies.

Clients may obtain a copy of our complete proxy voting policies and procedures or information on how proxies for his/her shares were voted by contacting our office.

Diminimus Conditions

CSC may determine that it is in the client's best interest not to vote proxies received. Circumstances in which CSC may determine not to vote proxies include the following:

1. If CSC determines that the client no longer holds securities of the issuer; or
2. If the value of a client's economic interest or CSC's beneficial interest is insignificant (generally less than .05% of the issuer's outstanding securities) and is unlikely to influence the ultimate outcome of the shareholder vote; or
3. If, in the case of securities of a foreign issuer, it is not practicable to obtain relevant information to vote such securities or arrange for a proxy to do so, or voting would result in undesirable trading restrictions on such securities.

Item 18 | Financial Information

We do not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

CSC is also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. CSC has no additional financial circumstances to report and has not been the subject of a bankruptcy petition at any time during the past ten years.