



# Form ADV Part 2A

— March 2021 —

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](mailto: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](http://www.adviserinfo.sec.gov).

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**Mrs. Merihan Tynan** | Principal, Chief Compliance Officer

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2101 East El Segundo Boulevard, Suite 302 | El Segundo, CA 90245

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## Form ADV Part 2A

### Item 2 | Material Changes

This Brochure, dated March 31, 2021, replaces the last Brochure dated March 31, 2020.

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

##### ✓ E. Assets Under Management

Updated assets under management as of 12/31/2020.

# 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.....	10
Item 10   Other Financial Industry Activities and Affiliations.....	10
Item 11   Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
Item 12   Brokerage Practices.....	12
Item 13   Review of Accounts .....	14
Item 14   Client Referrals and Other Compensation.....	14
Item 15   Custody .....	15
Item 16   Investment Discretion.....	15
Item 17   Voting Client Securities .....	16
Item 18   Financial Information.....	16

## Item 4 | Advisory Business

### A. Our Firm

Cove Street Capital, LLC ("CSC") is an SEC-registered investment adviser headquartered at 2101 East El Segundo Boulevard, Suite 302, El Segundo, CA 90245. Cove Street Capital opened its doors 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 founder of Cove Street Capital. He has over 35 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 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 their 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 process include but are not limited to Investment objectives, risk-tolerance, liquidity needs and in the case of individuals, tax issues.

Portfolios are managed 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.

### **E. Assets Under Management**

As of December 31, 2020 we actively managed approximately \$630 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 0.40% 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 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.

## Form ADV Part 2A

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. 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](mailto: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 separate to CSC's fee. CSC shall not receive any portion of these commissions, fees or 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 strategies 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. CSC also 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

## Form ADV Part 2A

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,
- ✓ Foundations / Endowment.

### 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 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. 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 at time of purchase 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 PLUS

Small Cap PLUS is a concentrated small to mid-cap value strategy that applies the same fundamental, bottom-up stock selection process as our Classic Value | Small Cap strategy. The strategy addresses a universe of U.S. companies with a market capitalization between \$1 billion and \$12 billion, and consists of 20-29 stocks. Final portfolio decision is made by Co-Portfolio Managers Ben Claremon and Jeffrey Bronchick, CFA.

### 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. We apply the same fundamental, bottom-up stock selection.

### CLASSIC VALUE | ALL CAP

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

### 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.

### CLASSIC VALUE | MICROCAP FOCUS

The MicroCap FOCUS strategy will target Small/Micro cap companies in the \$0 to \$500mm market cap range. Concentration of the top 10 positions will be north of 50% with a Private equity like approach in terms of Board and Management engagement.

### **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 could be incorrect, there is always a risk that our analysis may perhaps be compromised by inaccurate, misleading or fraudulent information.

**Focus.** Our portfolios are much more concentrated than large indices of stocks. As a result, we possibly 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 in some cases cause the value of the securities in the portfolios to be especially sensitive to factors and economic risks that specifically affect those sectors and 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 could have greater price volatility and less liquidity than larger companies.

**Equity Investments.** Regardless of any one company's particular prospects, a declining stock market could 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 could 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 employees 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 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 disclosures,
- 4.To not mislead clients, and
- 5.To expose all conflicts of interests to clients.

The Code includes standards of business conduct requiring all employees to comply with the federal securities laws and the fiduciary duties as an investment adviser owes to its clients.

From time to time, CSC may invest in different securities of the same issuer for different clients, depending upon investment considerations, liquidity and client objectives. There may be potential conflicts of interest in certain corporate finance transactions that may benefit or penalize one class of security versus another. CSC investment professionals and our Chief Compliance officer work carefully together to identify such conflicts when they potentially occur, then guide, and document our application of appropriate fiduciary responsibilities as noted in our Code of Ethics.

From time to time, Principals of CSC may invest in similar strategies as our clients in portfolios managed by Cove Street Capital. This could also be for the purpose to seed a new strategy. There are many steps being carried out to alleviate the appearance of conflict of interest found in our Code of Ethics. These accounts are also non-fee paying accounts.

In accordance with our duty to provide full and fair disclosures, 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 public information they obtain in connection with their investment activities on behalf of clients for their own personal benefit in limited circumstances. No access person may serve as member of the board of directors of any publicly traded company, without the prior written approval of the CCO and/or Senior Management. If an access person is serving as a board member, that access person shall not participate in making investment decisions relating to the securities of the company on whose board he or she sits.

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 and Senior Management.

### **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 at no charge

### **Item 12 | Brokerage Practices**

For discretionary clients, CSC requires these clients to provide us with written authority to determine directed trading via a specific broker dealer or custodian. Commission costs charged to these clients are pre-negotiated between the client and their respective party. 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

## Form ADV Part 2A

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:

Block trading allows CSC to access liquidity in a timelier, more equitable manner, at an average share price. CSC will typically aggregate trades among clients whose accounts can be traded at a given broker. 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. An electronic order ticket identifies each client account participating in the order and the proposed pro-rata allocation.
3. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by market 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 odd amounts of shares held in any client account and to avoid excessive ticket charges in smaller accounts on partial fills to provide fair and equitable allocation amongst household accounts.
4. 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.
5. No client or account will be favored over another. Unless market conditions dictate, a pre-trade randomization of all blocks available to trade is applied to the blocks in our OMS system; Advent Moxy®. 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.

### **Directed Brokerage**

From time to time, 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. It is important to note 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 who are not included in blocked orders, may at times see deviation from the randomized trading order.

## Form ADV Part 2A

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. 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.

### **Soft Dollar**

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 all our active 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 and the securities are continually reviewed by the entire investment team led by Portfolio Manager Jeffrey Bronchick, CFA. They are periodically reviewed by the Chief Compliance Officer and the President of the firm.

**Reports.** In addition to the quarterly statements and confirmations of transactions that Portfolio Management Services clients receive from their custodian. For reference and review only, 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. Non-approved 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, entertainment, or sporting events that are an incidental part of a meeting that has a clear business purpose.

## Form ADV Part 2A

### Item 15 | Custody

CSC does not take possession of client funds or securities. We do not have custody.

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 of the clients' choosing.

As an adviser, a few accounts have authorized Cove Street Capital 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.

For the clients who are custodied with a custodian who 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. Clients should direct Custodian statement related questions to the custodian.

In addition to the statements that clients receive directly from their custodians, CSC 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.

### 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 (only on non-directed accounts)
- ✓ the commission rates as which securities for client accounts are affected (only on non-directed accounts)
- ✓ 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 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 for their 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 the client 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 policy and procedure or information on how proxies for his/her shares were voted by contacting our office. Contact information found on the first page of this document.

From time to time, a client will seek to advise CSC on voting issues that may reflect social values that may or may not directly corroborate with a purely economic decision as determined by CSC analysis. We welcome client input in order to ensure client interest are best served in a proxy issue.

### **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.