



**Broad Cove
Capital**

Firm Brochure

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November 4, 2021

This Brochure provides information about the qualifications and business practices of Broad Cove Capital (in this Brochure, we refer to Broad Cove Capital as **Broad Cove** or the **Firm**). If you have any questions about the contents of this Brochure, please contact: Matthew E.D. Daigneault, Chief Executive Officer, using the contact information above or by email message to Matt@broadcovecapital.com.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (**SEC**), [the Maine Office of Securities], or any other regulatory authority.

Broad Cove is registered as an investment adviser with the SEC (CRD # 305393). Its investment adviser representatives are licensed with the state of Maine Office of Securities. Neither registration nor licensing implies that the Firm or its investment adviser representatives have any certain level of skill or training.

Additional Information about Broad Cove and its investment adviser representatives is available on the Website of the SEC at either link below, by searching for the Firm by name or by its CRD Number listed above (a unique identifying number assigned by the SEC):

**www.adviserinfo.sec.gov or
www.investor.gov**

Public information about the investment adviser representatives of Broad Cove, may also be obtained by contacting:

Maine Office of Securities
Dept. of Professional & Financial Regulation
Physical Location: 76 Northern Avenue
Gardiner, Maine 04345
Mailing Address: 121 State House Station
Augusta, Maine 04333
Telephone: 877-624-8551 (toll free in Maine)
207-624-8551

Item 2. Material Changes

In this Brochure, Broad Cove has made the following material changes to the information contained in its last annual Brochure dated January 11, 2021:

Items 4, 5, 12 and 13, among others, have been updated to describe in more detail the advisory services and practices Broad Cove uses in providing advisory services to clients. Broad Cove no longer provides stand-alone financial plans to clients as described in those Items.

Items 5 and Item 10 have been updated to reflect that Mr. Duffy and Mr. Daigneault resigned their registrations as registered representatives of Purshe Kaplan Sterling Investments, Inc., a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (**FINRA**) registered broker-dealer (**PKS**) and no longer provide securities brokerage services or implement securities transactions with PKS.

The Firm has deleted information in **Item 18** regarding the loan it obtained under the Paycheck Protection Program established by the U.S. Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act. The Firm satisfied the terms of the loan program and the loan has been forgiven.

Item 9 has been amended to disclose a disciplinary action taken by the state of Maine Office of Securities relating to activities of John D. Duffy, President of Broad Cove. See **Item 9** for detailed information about that action.

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Item 4. Advisory Business

A. Broad Cove

Broad Cove was incorporated in Maine on August 5, 2019. It became registered as an investment adviser with the SEC on September 10, 2019. The Firm has made notice filings in the states of Florida, Maine, Massachusetts and New Hampshire.

John D. Duffy is the President and Chief Executive Officer of the Firm. Matthew E. D. Daigneault is the Chief Operating Officer and Chief Compliance Officer. Mr. Daigneault owns 25 % and Mr. Duffy owns 75% of the outstanding shares of stock of Broad Cove. Mr. Daigneault has been involved in the financial services business since 2000 and Mr. Duffy has been involved in the financial services business since 1997. Mr. Duffy is currently under heightened supervision under a Consent Order issued by the Maine Office of Securities. See Item 9.

B. Types of Advisory Services

Broad Cove offers a variety of advisory services, described below. Broad Cove does not hold itself out as providing financial planning, estate planning, or insurance planning services. Prior to providing advisory services to a client, Broad Cove will require the client to enter into a written agreement with the Firm (***Investment Advisory Agreement***) that describes the services Broad Cove will be providing, all terms and conditions that apply to the services and the fees that Broad Cove will charge the client for its services. See **Item 5** for a description of the fees Broad Cove charges for its services. The fee arrangement set forth in the client's investment advisory agreement may not be changed without written consent of both Broad Cove and the client.

See **Item 5** for a description of the fees Broad Cove charges for its services.

See **Item 7** for a description of the types of clients the Firm services.

1. ***Investment Portfolio Management Services***

Traditional Investment Management Services. The services that Broad Cove provides for most of its clients involve the management of client assets held at a custodian selected by Broad Cove. in separate accounts as requested by each of its clients. Such services may be called *Investment Portfolio Management*, *Separate Account Management* or simply *Asset Management*. The custodian or an affiliate of the custodian almost always serves as the broker-dealer through which transactions in client securities are executed. With limited exceptions, Broad Cove requires clients to use the custodian and broker-dealer selected by Broad Cove. The Firm enters into an agreement with the custodian initially, that sets the terms on which the custodian will hold client assets and on which the affiliated broker-dealer will execute client transactions. Broad Cove reviews those terms at least annually to assure that they meet best execution for clients (see **Item 12**). Those terms are usually more favorable and provide better execution than those clients would obtain on their own. Broad Cove may, in its discretion, manage assets that are held with a different custodian under exceptional circumstances, such as when Broad Cove is managing only a portion of a clients' assets and most of the clients' assets are held at a different custodian.

Broad Cove is not registered as a broker-dealer and none of its investment adviser representatives is currently registered as a representative of a broker-dealer. Neither the custodian that holds client assets nor the broker-dealer that executes transactions for client accounts is affiliated with Broad Cove or its principals. The custodian holding client account assets and the broker-dealer executing those transactions charge clients fees for their services that are in addition to the fees charged by Broad Cove for managing the assets.

See **Item 8** for a description of the kinds of securities that Broad Cove selects to implement the investment plans it develops for its portfolio management services clients.

Discretion. Most clients receiving investment portfolio management services from Broad Cove, give Broad Cove discretion to implement the purchases and sales of securities Broad Cove recommends. Discretion allows Broad Cove to place orders for the transactions to be executed without obtaining the client's advance approval. Broad Cove will also manage assets for clients on a nondiscretionary basis, which requires Broad Cove to obtain consent from the client before Broad Cove can place an order to execute the transaction. The Firm's Investment Advisory Agreement for investment portfolio services must disclose whether or not the client grants the Firm discretion in managing the client's assets.

Non-Managed Assets. From time to time, a client receiving investment portfolio management services from Broad Cove may ask Broad Cove to designate certain of the client's assets held in the client's account at the custodian as non-managed assets. The Firm will not be responsible for providing ongoing supervision or any other investment management services for the assets designated as non-managed and Broad Cove will not charge advisory fees with respect to the designated non-managed assets. Broad Cove requires written confirmation from a client with non-managed assets, before Broad Cove will direct the execution involving the client's non-managed assets. Non-managed assets will be subject to fees charged by the custodian or broker-dealer; however, Broad Cove does not include those assets in calculating its fee for investment portfolio management services (see **Item 5**, below).

Other Designated Assets. Clients may engage Broad Cove to manage and/or advise on certain investment products/portfolios that are not maintained in accounts at the custodian, where other assets of the client are held. Those assets would not usually be included in the client's assets under management by Broad Cove. The assets may include, but are not limited to investment accounts, individual and Roth retirement accounts, assets held in employer sponsored retirement plans or assets held in qualified tuition plans, such as 529 plans. These assets are generally held by the custodian of the assets in a retirement plan, the issuer of the product or a custodian designated by the product's provider or issuer. Broad Cove may assist the client by recommending the allocation of client assets among the various investment options within the product or investment platform. Fees for those services are usually negotiated separately based on the services to be provided by Broad Cove (see **Item 5**, below).

2. Retirement Plan Services

Broad Cove provides various non-discretionary investment advisory services to qualified employee benefit plan sponsors and/or contribution plan sponsors (each, a **Plan Sponsor**) and their fiduciaries. The Firm's services generally include one or more of the following, as applicable:

- (i) assisting the Plan Sponsor in structuring, managing and optimizing the retirement plan;
- (ii) assisting in the selection of investment options to be offered to participants in the plan;
- (iii) selection of securities used to fund the plan; educating participants about investment options under the plans; or consulting with the Plan sponsor or board responsible for overseeing the plan.

The Firm negotiates the services it will provide and the fees it will charge for its services individually with each Plan Sponsor. The terms of the engagement are described in a written agreement that describes the services that Broad Cove will provide and all fees, direct and indirect, that Broad Cove will earn for its services. Most retirement plans using the services of Broad Cove are subject to the Employee Retirement Income Security Act of 1974, as amended (**ERISA**). For most of the services Broad Cove provides to pension plans, Broad Cove is a fiduciary of the plan under ERISA, which makes Broad Cove subject to certain prohibited transactions under ERISA that are intended to limit self-dealing and conflicts of interest by persons providing services to the plan.

3. Management by Unaffiliated Advisers/Subadvisers

Broad Cove may place some client assets with unaffiliated investment advisers (**Subadvisers**) for management of a portion of the client's assets. Broad Cove will use Subadvisers where, in Broad Cove's opinion, the Subadviser has a niche management strategy or has extensive experience in managing certain types of securities that may complement the experience and strategies used by Broad Cove. The client must execute a management agreement directly with the Subadviser that documents the terms of the arrangement and the fees that the Subadviser will charge the client.

Before recommending a Subadviser to a client, Broad Cove conducts a thorough due diligence review of the Subadviser and its performance. The due diligence review includes review of all state and federal filings with respect to the adviser and its portfolio managers, the Subadviser's ADV forms, information about its past performance from materials supplied by the Subadviser directly or from databases where the performance may be listed, which information Broad Cove considers reliable. Broad Cove also takes into consideration the Subadviser's management style, resources, reputation, financial strength, reporting capabilities, pricing systems and research capabilities, among other factors. When possible, Broad Cove will meet with the principals of the Subadviser, including the portfolio manager responsible for managing the strategy under consideration for Broad Cove clients. Broad Cove will evaluate the risk profile of the strategy under consideration and whether it is compatible with the client's risk tolerance. Broad Cove evaluates the results of its review of the Subadviser to attempt to assure that the proposed Subadviser's management of the Broad Cove client's assets will remain aligned with Broad Cove's assessment of the client's investment objectives and overall best interests.

Broad Cove will verify that the Subadviser is registered as an investment adviser with the SEC or one or more states or is exempt from such registration. Broad Cove will either provide, or require the Subadviser to provide to the client a copy of the Subadviser's ADV Part 2A Brochure, the Form CRS and any relevant ADV 2B supplements, as of the date the client's funds are initially placed with the Subadviser and each time any of those forms is amended thereafter.

See **Item 5** for the fees that Broad Cove charges clients for its oversight of the Subadviser and the Subadviser's management of the clients' assets.

C. Tailoring Services to Needs of Clients

The services of Broad Cove are designed individually for each of its clients. Broad Cove strives to have a deep understanding of the client's financial situation, need for liquidity and security in developing a strategy for the investment of the client's assets. At the time Broad Cove enters into an Investment Advisory Agreement with a client and regularly thereafter, Broad Cove meets with the client in person, by telephone or by video conference to obtain information from the client concerning the client's financial situation. That information usually includes some or all of the following: investment objectives, financial goals, ongoing financial requirements, any specific or extraordinary needs, income, other assets, retirement plans, estate plans, educational funding, personal situation, risk tolerance levels and any specific requests or needs of the client. In addition, if a client wishes to impose particular restrictions or guidelines on the investment of the client's assets, such as avoiding certain securities or emphasizing certain types of investments, the Firm will follow those requests in structuring an investment plan.

Broad Cove undertakes a comprehensive evaluation of these factors in communications with the client obtaining information from the client about the client's financial situation, goals, objectives and risk tolerance. The Firm also uses financial planning programs to assist the Firm in developing a strategy or investment plan for managing the client's assets. The process considers a wide range of questions, information and analysis relating to the client's overall financial and personal situation and objectives. The Firm uses the results of the process, including any financial planning tools used during the process in developing a strategy for the investment of the clients' assets. Based on its analysis of the client's situation, Broad Cove develops an investment plan or strategy for investing the client's assets, including the securities that Broad Cove recommends the client purchase, sell, exchange or hold. See **Item 8** for a discussion of the strategies Broad Cove uses in managing client assets, the securities the Firm may use and the risks of the investments that Broad Cove selects for the client. Clients are not charged for the financial plans developed as part of assessing the client's financial situation.

See **Item 8** for more information about the investment strategies that the Firm uses in managing client assets.

D. Wrap Fee Programs

Broad Cove does not offer wrap fee programs.

E. Assets Under Management

As of December 31, 2020, Broad Cove had regulatory assets under management of \$185,100,000, of which approximately \$153,300,000 were being managed on a discretionary basis and \$31,800,000 were being managed on a non-discretionary basis.

Item 5. Fees and Compensation

A. Fees Charged by Broad Cove

1. Asset Management Services

Portfolio Management Fee Schedule. The following is annual the schedule of fees Broad Cove charges clients for standard investment portfolio management services:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$1,000,000	1.00%
\$1,000,000 to \$2,000,000	0.85%
\$2,000,001 to \$5,000,000	0.70%
Over \$5,000,000	0.50%

Broad Cove charges the fee quarterly based on the annual fee above. The fee is calculated as a percentage of the value of the assets under management as of the last day of the quarter then ended. The fee is charged in advance, see **Section D**, below.

Other Asset Related Services. Broad Cove negotiates fees separately for non-managed asset services and designated asset services described in Item 4.B.1. The assets are not included in calculating investment portfolio management fees described above. Ordinarily, Broad Cove charges a fixed fee, hourly fee or some other fee for these arrangements.

Calculation and Billing. Fees are calculated based on the value of assets under management as of the last trading day of a quarter and are billed quarterly in advance.

Valuation of Assets. To calculate its fee, Broad Cove uses the value of the assets determined by the custodian of the assets. If the custodian does not provide the values, Broad Cove may use values determined by an independent pricing agent, such as a broker-dealer through which Broad Cove processes client transactions. If Broad Cove is unable to determine a market value, Broad Cove will use a value based on comparable sales of similar securities or other methods determined to be reasonable by Broad Cove. For assets managed by a Subadviser, Broad Cove uses the value provided by the Subadviser or its custodian.

Accounts using Margin. If a client uses margin, the fees charged by Broad Cove will be based on the market value of the securities in the client's account, reduced by the amount of margin or other liabilities against those securities.

2. Subadvised Assets

Where Broad Cove has allocated some client assets for management by an unaffiliated investment adviser as subadviser, the clients are responsible for paying the fees of the subadviser directly. The subadviser is responsible for providing those clients with its fee schedule, payment procedures, valuation procedures and other matters related to billings by the Subadvisers. In addition, Broad Cove charges a management fee of 0.10% of the assets being managed by the Subadviser for its services in managing the entire account of the client.

3. *Retirement Plan Services*

Broad Cove usually negotiates the fees it will charge retirement plan sponsors for providing the retirement plan services described in **Item 4.B.2**, above. Those fees may include all types of fees. The fees will be based on the type of service Broad Cove will be providing and the amount of time involved in providing the services. For portfolio management services to a retirement plan, Broad Cove may charge a consulting fee at an annual rate of up to 0.50% of assets in the Plan. The fees agreed upon by Broad Cove and the plan sponsor or agent are described in the Agreement executed by Broad Cove and the plan sponsor or agent. Retirement plan fees are prorated and billed as described in Subsection D, below.

4. *Negotiability of Fees*

All fees in addition to Retirement Plan fees, may be negotiated at the sole discretion of the Firm. Broad Cove uses the following criteria when considering adjusting the management fees it charges: the amount of assets the client has under management with Broad Cove, the number of accounts the client has under management, the length of time the client has been a client of the Firm or the principals of the Firm, any extra services that Broad Cove may be asked to provide, the number of related accounts under management by Broad Cove, whether the account is held by a charity or other non-profit entity, the amount of assets in fixed income or cash or liquid assets. The Firm understands that it is acting as a fiduciary to its clients and accordingly, it seeks to apply the listed factors in setting its fees for all its client accounts.

B. *Payment of Fees*

1. *Payment of Fees for Management Services*

Fees Deducted from Client Assets. Most clients whose securities are held with the custodian designated by Broad Cove, instruct the custodian to deduct Broad Cove's management fee automatically from the clients' assets held at the custodian at the beginning of each new quarter. the custodian sends statements to each client showing the assets under management at the end of the last quarter, the fee deducted from the client's account and a description of how the fee was calculated.

Obligations of Custodian. The custodians responsible for deducting the fees must agree to send statements to clients not less than quarterly, detailing all account transactions, including amounts paid to Broad Cove and how those amounts were calculated. Clients are urged to compare the account statements they receive from the qualified custodian with those they receive from Broad Cove. Any discrepancies should be immediately brought to the Firm's attention.

Fees Paid by Clients Directly. For clients who are billed with a flat fee for management services or whose assets are held at a custodian selected by the client, the fees are not usually deducted from their assets. Broad Cove sends an invoice for the asset management services directly to those clients at the beginning of each quarter. The invoice shows the value of the assets under management at the end of the last quarter, the amount of the fee and the formula used to calculate the fee. Fees billed directly to the client are due on receipt, but usually expected no later than 30 days following the date of the invoice.

2. *Payment of Fees for Retirement Plan Services*

Fees for retirement plan services have been negotiated by the Plan Sponsor, the custodian of the plan assets and Broad Cove in advance are billed directly by the custodian through the plan and paid to Broad Cove. All retirement plan fees are collected and paid based on the terms previously negotiated.

C. *Other Fees and Expenses*

1. *Additional Fees Charged by Broad Cove*

Broad Cove does not currently charge for providing additional services to clients, such as copies of statements or monthly expense charges. Broad Cove reserves the right to charge such fees in the future, if necessary to cover the costs of such services.

2. *Third Party Charges*

In addition to the advisory fees paid to Broad Cove, clients may be charged fees by third parties, including, but not limited to fees charged by the custodians that hold the client's assets under management, broker-dealers executing transactions in client accounts at the direction of Broad Cove, pooled investment vehicles such as mutual funds or Exchange Traded Funds (*ETFs*) that charge their own investment management fees which are in addition to the management fees charged by Broad Cove, trust companies, banks and other financial institutions. Clients should carefully review the agreements that they sign with the third-party providers, so that they understand the fees they will be paying.

See **Item 12** for the factors that Broad Cove considers in retaining a custodian or broker-dealer for client assets and transactions.

3. *Investments in Funds*

Clients investing in securities of investment companies, such as ETF's, mutual funds or hedge funds (collectively, *Funds*), should be aware that Funds charge management and administrative fees to their shareholders. Those fees are charged to shareholders in the Funds on a *prorata* basis and are in addition to the fees charged by Broad Cove for managing assets invested in those Funds.

D. *Fees Paid in Advance*

1. *Fees Due in Advance*

Broad Cove charges its management fee quarterly, in advance, starting on the first day of each calendar quarter. In no event will Broad Cove require or solicit prepayment of fees of more than \$1,200 per client, six months or more in advance.

2. *Proration of Fees*

For any service payable in advance that begins on a date other than the beginning of a payment period (month or quarter, as applicable), Broad Cove prorates the fee for the period based on the number of days during the quarter that Broad Cove expects to provide services. For any service

that terminates on any date other than the end of a payment period quarter, the fee is calculated based on the number of days in the period that services were actually provided. Broad Cove refunds any fees paid in advance that were not earned on the date of termination of the services will be refunded to the client within 30 days of termination. Broad Cove will bill any client that owes Broad Cove fees at the time of termination and, if authorized, will deduct the unpaid fees from the assets then remaining management.

E. Fees from Sales of Securities or Products

Neither Broad Cove nor its supervised persons are registered or licensed to sell securities or products to clients other than the investment advisory services they provide through Broad Cove. The President of the firm currently has an insurance license; however, he does not currently sell insurance products to Broad Cove clients.

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

Broad Cove does not charge performance-based fees (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

Item 7. Types of Clients

A. Clients of Broad Cove

The Firm's clients include individuals, high net worth individuals, pension plans and profit-sharing plans. Broad Cove offers its services to all types of investors including trusts, estates, charitable entities, non-profits, corporations and business entities.

B. Minimum Account Requirements

Broad Cove requires a client to have and maintain assets under management with Broad Cove of at least of at least \$250,000. Those assets may be managed in a single account or in several related accounts; however, Broad Cove reserves the right to require a minimum amount of assets in each separate account, which Broad Cove believes necessary, in its discretion, for managing the assets using its strategies. Broad Cove in its sole discretion, may accept clients with fewer assets to be managed by Broad Cove under special circumstances, such as anticipated future earning capacity, anticipated future increase in available assets to be managed, related accounts, account composition, pre-existing client, account retention and pro bono activities. Broad Cove may aggregate the accounts of family members to meet the minimum portfolio size. There is no minimum investment requirement for subsequent investments in an already existing account.

Once a client is established with Broad Cove, the Firm will not require the clients' accounts to be closed if the value of the accounts does not stay at or above \$250,000 due to market fluctuations. Broad Cove can require closing client accounts if funds are withdrawn from the accounts reducing the value below \$250,000. Before closing a client's accounts, Broad Cove will give the client notice and allow the client to add additional funds to its accounts under management to meet the minimums.

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

A. Methods of Analysis and Investment Strategies

1. *Investment Committee*

Broad Cove has established an Investment Committee that analyses securities being considered for client accounts and reviews regularly those securities currently in client accounts. The Investment Committee includes the President of the Firm, the Chief Operating Officer/Chief Compliance Officer and a research analyst. The review of the securities includes a due diligence review of the issuer, a review of the past performance of the securities and analyses of market trends. The Investment Committee develops a model portfolio, identifying the securities that would make up the model. The Investment Committee also recommends any additions or deletions to the model securities when the committee believes such changes are beneficial to clients. The Investment Committee then adapts the model for each client, individually, based on the factors described in **Item 4.C**. Broad Cove allows clients to request specific investments for their accounts and/or to prohibit investments in certain types of securities.

2. *Investment Strategy*

Broad Cove's investment strategy is primarily one of long-term purchases of securities for a year or more. The Firm may recommend trading securities held in client accounts for less than a year in times of unusual market conditions, to meet unexpected needs of the client or when the Investment Committee believes a given security should be removed from all client accounts that hold it. Broad Cove seeks to develop portfolios for each of its clients that include a percentage of registered management investment companies (***mutual funds***), ***ETFs*** and fixed income securities (including securities such as corporate bonds or municipal bonds). Broad Cove develops a specific ratio of the three types of investments tailored to each client's goals and risk tolerance as described in **Item 4.C**. Clients may also hold equity securities in their accounts, usually of publicly traded companies, that were deposited into the account by the client; were requested by the client; or were recommended for the client by Broad Cove in circumstances where the Investment Committee believed such investments would benefit the client. Broad Cove does not use margin, option writing, short term trading or short sales in managing Client assets. Some Clients may elect to set up a margin account and use margin for their own purposes in that account.

3. *Mutual Funds and ETFs*

In evaluating investments in Funds, the Investment Committee looks at the experience and track record of the manager of the Fund, the individual portfolio manager of the specific investment funds that the Investment Committee expects to recommend and the performance of the Fund over one-, five- and ten-year periods. The Investment Committee does a thorough due diligence review of the manager or issuer to evaluate the stability of the Fund over the long-term. The Investment Committee will evaluate the specific securities in the Fund at any given time; the turnover rate experienced by the Fund, any changes in management of the Funds, prior disciplinary matters, and adherence to investment strategy. The Investment Committee will also analyze the fees charged to investors, whether there is an institutional series of funds and whether mutual funds offer breakpoints in their management fees. The Investment Committee

will review underlying assets to determine if there is significant overlap in the investments held in Funds currently in the model portfolios.

B. Risks of Investment Strategies

Clients need to be aware that investing in securities involves risks of loss as described below in this Section. Clients need to be prepared to bear such risks, particularly during periods of extreme market volatility. The following describes the risks related to the Firm's investment strategies and related advisory business.

1. Risks of all Investments in Securities

Risk of Securities. Some risks relate directly to the type of security selected. Fixed income securities such as high-grade debt securities, certificates of deposit and government securities can provide lower risk of loss for Clients, but they may result in lower, long-term returns than do low-grade debt or equity securities of smaller capitalized companies. Interests in limited investments such as partnerships, hedge funds or private fund securities may require a long-term investment and may involve limits on the client's ability to liquidate the security. The value of any investment can be negatively affected by factors specifically related to the investment, such as the experience and capabilities of management or turnover in portfolio managers.

2. Market Risks

Client investments may be subject to a variety of matters affecting the securities markets as a whole or specific sectors of the markets. Unexpected events can affect all securities markets, which can negatively impact the value of a client's securities, such as changes in interest rates or natural disasters. Other risks can result from factors unrelated to the markets in general, such as volatility in the markets due to a pandemic, high unemployment rates, civil unrest or terrorism. Securities in certain industries may become unpopular as a result of concerns about such matters as climate change, which can affect the future of coal and oil production. Finally, changes in the preferences of investors in certain types of securities can affect the markets creating high demand for some types of securities, such as socially responsible investments.

3. Liquidity Risk

Investors may be subject to liquidity risk if they hold investments in fixed income securities or investments with long-term holding periods to avoid penalties or if the securities are not traded publicly. In these situations, clients may not be able to liquidate their investments or pay high penalties if they need cash in an emergency.

4. Risks of Strategies Used by Broad Cove

Risks of Low-Risk Securities. Broad Cove strives to avoid high risk investment strategies for its clients, such as frequent trading, option writing, margin or high risk, high return investments. Lower risk investments may provide lower returns over time than high risk investments; however, are less subject to loss than are higher-risk investments.

Risks of Long-Term Investing. Broad Cove recommends that clients invest for the long-term, holding investments over a long period of time. A long-term strategy risks the inability to take

advantage of short-term gains. Moreover, if the Firm's analysis is incorrect, a security may decline sharply in value before the Firm makes the decision to sell.

Risks of Mutual Funds and/or ETFs. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, since the Firm does not control the underlying investments in a mutual fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio. Investment in Funds such as mutual funds and ETFs used by Broad Cove can result in duplicate fees for clients, since the Funds charge management fees to its investors, which are in addition to the fees charged by Broad Cove.

Risks of Fixed Income Investments. the fixed income piece of client portfolios may consist of bonds and other fixed income or debt-like securities. Although bonds are lower risk than most equity securities, bonds essentially involve a loan to the entity issuing the bond, which means that bonds involve risk of default that can be a result of market changes or a risk that the issuer of the bond is not financially able to meet its obligations. Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value of the bond, plus interest. If sold before maturity, the bond may be worth more or less than the face value depending on the relationship of the interest rate paid on the bond to then current interest rates. Bonds yielding an interest rate that is greater than current interest rates will be more valuable than those paying interest rates lower than current rates and may sell at a premium. Fixed income securities also have an inflation risk. If Inflation rates exceed the interest paid on the fixed income securities, the investor will have a loss over time.

5. Firm Risks

Cybersecurity Breaches. Regulators have identified unauthorized access to client Confidential Information through Cybersecurity Breaches or other failure to protect Confidential Information as having high-risk consequences for investors. Although Broad Cove does not have custody of the assets it manages for clients, it collects personal nonpublic information and other Confidential Information about clients and their assets (**Client Confidential Information**) in connection with managing their assets. There is a risk that unauthorized third parties could obtain access to such information through hacking or otherwise penetrating the Firm's electronic systems (**Cybersecurity Breaches**) on which Client Confidential Information is stored. Such access could subject clients to potential theft of funds from client accounts, identity theft or ransomware.

Privacy and Confidentiality. There is also a risk that unauthorized persons could access client Confidential Information through inadequate privacy protections, such as allowing third parties to use a computer on which Confidential Information is stored or from which Client Confidential Information may be accessed or transporting Client Confidential Information on flash drives or laptops without adequately protecting those devices from theft or loss.

Third Party Vendors. Finally, there is a risk that Client Confidential Information shared by the Firm with third party vendors, such as custodians of client assets or broker-dealers executing client transactions, could be subject to Cybersecurity Breaches or privacy risks if the Client

Confidential Information is not adequately protected by those third parties. Broad Cove has no control over those third parties, except through contracts it executes with those parties, if any.

Policies and Procedures. Broad Cove has designated its Chief Compliance Officer as the Firm's Chief Information Security Officer (**CISO**) and has adopted policies and procedures that it believes are reasonably designed to address the risks described above. The CISO works with outside consultants with knowledge of electronic systems and how to protect them. The Firm will notify clients if it discovers that its systems have been breached. The Firm has also adopted procedures that require vendors who have access to client personal information to represent that they have procedures in place reasonably designed to protect the confidentiality of client personal information. There is no assurance that the Firm's procedures or those of unaffiliated vendors will be adequate to protect the Firm and the information that flows through the Firm from all unauthorized access by third parties.

Item 9. Disciplinary Information

A. Disciplinary Action by the Administrator of the Maine Office of Securities

On August 10, 2021, John Duffy, the President of Broad Cove Capital, consented to the entry of an order by the administrator of the Maine Office of Securities (Consent Order No. 2021-16), imposing sanctions on Mr. Duffy to resolve actions he self-reported to the Office of Securities in September 2019 and related issues identified during a follow up investigation by the General Counsel of the Office of Securities. The activities at issue occurred between the time when Mr. Duffy had resigned from his former firm as an Investment Advisor Representative and when his license at his successor firm was active. During that period, Mr. Duffy attempted to assist a former client with a routine request to transfer funds between two of the client's accounts. Mr. Duffy contacted the custodian of the accounts using the name of a then current representative of the prior firm. The custodian was not able to complete the transfer because there was not enough cash available remaining in the account. Mr. Duffy regretted his actions almost immediately and, with counsel, met with the Administrator and the General Counsel of the Maine Office of Securities to report his actions. The General Counsel identified other issues during the follow up investigation, including an earlier call that Mr. Duffy made to the custodian using the same credentials as he used for the above client-related call. Mr. Duffy made the earlier call only to verify the documents required by the custodian for certain types of transfers when a client changed investment adviser firms. Mr. Duffy made a subsequent call to the custodian with the client on the call with him, in which Mr. Duffy identified himself correctly. During that call, Mr. Duffy selected securities among those in the client's brokerage account to be sold to generate the cash the client needed to be transferred to her retail checking account. Mr. Duffy gave the custodian the incorrect client account number for the retail account since he did not have in his possession any client specific paperwork. Mr. Duffy received no compensation for the action he self reported or for any activities identified by the Maine Office of Securities. Mr. Duffy accepted the consent order and the sanctions imposed by the administrator, which included a 30 day suspension of Mr. Duffy's license as an investment advisor representative, a fine of \$20,000 and a minimum of two years of heightened supervision following the end of the suspension. Mr. Duffy concluded his suspension on September 9, 2021.

B. Absence of Other Disciplinary Matters

Other than the discipline described above in Subsection A of this Item, neither the Firm nor any of its officers, directors, persons controlled by the Firm or employees of the Firm (collectively, the Firm's **advisory affiliates**) is subject to any disciplinary matters required to be disclosed in this Brochure.

Item 10. Other Financial Activities and Affiliations

A. Broker-Dealer Registration

Neither the Firm nor any **management person** (which includes Mr. Duffy, the Firm's President, Mr. Daigneault, the Firm's Chief Operating Officer/Chief Compliance Officer, the members of its investment committee and its controlling shareholders) is currently registered or has an application pending to register as a broker-dealer or registered representative of a broker-dealer. Mr. Duffy and Mr. Daigneault recently resigned as registered representatives of PKS, an unaffiliated broker-dealer.

B. Futures and Commodities

Neither the Firm nor any management person is registered or has an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities.

C. Arrangements with Related Persons

Neither the Firm nor any of its management persons has any arrangements with any **related person** (which includes its advisory affiliates and any person controlled by the Firm) that would be material to the Firm's advisory business or its clients.

Mr. Duffy is licensed as an insurance agent to sell life, accident and other lines of insurance for various insurance companies, for which he could receive compensation in the form of commissions. To avoid potential conflicts of interest, he does not sell insurance to clients. Instead, if he believes a client could benefit from the purchase of an insurance product, he refers that client to an unaffiliated licensed insurance agent. Mr. Duffy does not receive any compensation for such referrals. Should Mr. Duffy decide in the future to sell insurance to clients, the Firm will amend this Brochure to describe any potential conflicts that could arise from such sales.

D. Selection of Investment Advisers

Broad Cove recommends and selects unaffiliated investment advisers for clients; however, the Firm does not receive direct or indirect compensation from those advisers. See **Item 4.B.3**.

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

A. Code of Ethics

Broad Cove has adopted, maintains and enforces a written Code of Ethics (the **Code**) that applies to each of its directors, officers controlling shareholders and its supervised persons who have access to nonpublic information regarding securities transactions or holdings of its clients or any other material, non-public information held by the Firm (**access persons**). The Firm's Chief Compliance Officer is responsible for overseeing strict adherence to the Code. Broad Cove will provide a copy of the Code to any client or prospective client upon request.

The Code sets a standard of business conduct for all supervised persons that includes the following:

- (iv) The Firm and all its supervised persons are fiduciaries for clients; therefore, all supervised persons must always put the interests of clients ahead of the interests of the Firm and the supervised person.
- (v) All supervised persons must comply fully with all applicable federal and state laws and rules including, but not limited to laws and rules involving providing investment advice to clients, insider trading prohibitions and protecting the privacy and confidentiality of clients' information and securities holdings.
- (vi) Every supervised person and access person is prohibited from executing any transaction in any security if either the Firm or the individual has access to, or actually knows any material, nonpublic information about the issuer of the security; or if the Firm or the individual has access to, or actually knows any material, nonpublic information that would affect the value of the security (collectively, **inside information**).
- (vii) All supervised persons and access persons are prohibited from sharing any inside information with any other person, except another person who has access to the same inside information that the other person obtained without violating any laws or rules and the person is subject to the Code or a comparable code prohibiting trading in securities on Inside Information.
- (viii) All supervised persons and access persons must obtain approval in advance for any transaction in any security listed on the Firm's restricted securities list (see **subsection C**, below).
- (ix) All supervised persons must report to the Chief Compliance Officer, immediately, any violation by the supervised person or by any other supervised person or access person, of the provisions of the Code, any violations of any of the Firm's policies and procedures, or any material violation of any laws or rules to which the Firm or the supervised person is subject.

B. Conflicts in Securities Holdings

Broad Cove does not recommend, buy or sell for Clients any securities in which Broad Cove or any related person has a material financial interest, except that Broad Cove or a related person may invest in the same securities as Clients. See **subsection C**, below.

C. Conflicts in Securities Investing

Broad Cove may buy or sell for their own account or their spouse's account securities that have been recommended to Clients. Associated persons are not authorized to execute personal transactions until transactions for Clients have been completed. Broad Cove keeps copies of all transactions by Associated Persons and reviews them periodically to assure that no Associated Person is trading in conflict with the interests of Clients.

D. Conflicts in Contemporaneous Transactions

1. Simultaneous Transactions in Securities

The Code prohibits Broad Cove or any related person from simultaneously buying or selling a security while the Firm directs the same transaction in the same security for the account of a client. Similarly, the Code prohibits Broad Cove or any related person from simultaneously buying a security while Broad Cove recommends that a client sell the same security or from simultaneously selling a security while Broad Cove recommends that a Client purchase the security.

2. Restricted Securities Transactions

Under the Code, the Firm must keep a restricted securities list, a list of securities in which trading by supervised persons, related persons and access persons is restricted. The restricted securities list is maintained by the Chief Compliance Officer. The restricted securities list must include client securities, securities recommended for investment by the Investment Committee and any securities of issuers, about which the Firm or its related persons have material non-public information.

3. Oversight by Compliance

The Code requires each supervised person to disclose to the Firm's Chief Compliance Officer all personal securities holdings initially when the supervised person joins the firm and quarterly thereafter. The Code also requires that each supervised person report all personal securities transactions quarterly. The Chief Compliance Officer reviews the reports regularly to monitor compliance with the Code.

Item 12. Brokerage Practices

A. Factors in Selecting Broker-Dealers

1. *Soft Dollar Benefits*

Broad Cove does not accept any research that consists of equipment, data or other services provided by a broker-dealer from a third party in exchange for directing a specified number of transactions to the broker-dealer (a practice referred to as involving *soft dollars*). Broad Cove does not receive any commissions, trading fees or services from any broker-dealer in connection with using that broker-dealer for client transactions. Broad Cove may take advantage of research information and services that provide information relevant to the clients of Broad Cove provided by broker-dealers to all advisory clients similar to Broad Cove, at no additional charge. Such information and services are often available from a number of broker-dealers and therefore, would not be a significant factor to Broad Cove in selecting a broker-dealer for execution of client transactions.

2. *Brokerage for Client Referrals*

In selecting a broker-dealer for client transactions, Broad Cove does not take into consideration any client referrals from that broker-dealer to Broad Cove or its related persons.

3. *Directed Brokerage*

Under most circumstances, Broad Cove does not allow clients to direct transactions in securities for that client to be executed through a specific broker-dealer selected by the client. Broad Cove has the discretion to allow a client to direct transactions to the client's designated broker-dealer; however, Broad Cove notes that transactions executed through that broker-dealer are likely subject to higher transaction costs than they would be if executed through Broad Cove's selected broker-dealer.

4. *Other Factors Considered by Broad Cove*

Selection. Broad Cove has the authority under its Investment Advisory Agreement to select the broker-dealers through which it will direct the execution of transactions in clients' accounts. Broad Cove generally has the authority to negotiate commissions for those transactions; however, Broad Cove selects a broker-dealer for client transactions primarily based on the custodial services that are available in conjunction with using that broker-dealer. The broker-dealer Broad Cove currently uses for the execution of client transactions is affiliated with the custodian where the Firm requires clients to hold their assets under management.

Best Execution. Broad Cove evaluates both the custodial services and transaction execution services available through a given entity or related entities and the fees those entities will charge Broad Cove clients for their services. Broad Cove seeks to select a broker-dealer that will execute client transactions effectively at competitive rates. Factors relevant to Broad Cove's evaluation of the broker-dealer are its ability to handle client transactions of the type recommended for most clients during all types of market conditions and broker-dealer activity. Broad Cove also considers factors such as commission price, speed and quality of execution and convenience of access for

both the Firm and the client. Broad Cove conducts a due diligence review on each broker-dealer the Firm considers for client transactions before signing an agreement with the broker-dealer. Broad Cove reviews the terms of its arrangements with its custodian/broker-dealer at least annually to confirm that the broker-dealer is providing best execution, which is execution of client transactions quickly, accurately and at competitive rates.

Fiduciary Duty. As an investment advisory firm, Broad Cove has a fiduciary duty to seek best execution for client transactions. Under SEC guidance, best execution requires an analysis of various factors concerning the services to be required from the broker-dealer in determining if the broker-dealer meets the SEC guidance concerning best execution. Such factors include the type of security to be traded, the price charged by the broker-dealer for the transaction, the efficiency with which the broker-dealer executes the trade (considering both speed and accuracy), the ability to execute transactions during different market conditions, the ability to execute trades in different types of securities and the specific needs of Broad Cove for its clients. Best execution does not require only the lowest transaction commissions or lowest overall fees.

Review and Trading Errors. Broad Cove regularly conducts a post trade analysis to check for anomalies in those transactions. On occasion, the Firm may experience errors with respect to trades made on behalf of client accounts. Broad Cove endeavors to detect trade errors prior to settlement and to correct them in an expeditious manner. If a client account suffers a net loss due to a trade error, Broad Cove will reimburse the client account for the loss. If a client account benefits from a trade error, Broad Cove does not make any adjustment to that client's account, but lets the benefit remain with the client.

B. Aggregation and Allocation of Orders

1. Aggregating Orders

Broad Cove will typically aggregate trades of different clients when placing an order if Broad Cove believes it to be in the best interests of its clients. Generally, Broad Cove will aggregate trades in mutual funds for all clients for which the Firm recommends the same transaction in the same security. Broad Cove has adopted procedures to assure that the securities and the transactions costs are allocated among the clients fairly.

2. Allocation of Trades

Broad Cove has adopted procedures for allocating securities among its clients that are intended to treat each client equitably and to assure that the best interests of the clients are protected. Those procedures usually require allocating the costs of the transaction among the clients in the ratio of the shares of each client involved in the aggregated transaction. Although unlikely, there may be occasions where Broad Cove is unable to purchase all the securities required to fill all the orders of its clients or to sell all securities intended to be sold. Such could happen with Funds if not all transactions are executed before the cutoff time under the Funds' procedures. Under those circumstances, Broad Cove allocates the securities and costs among the clients for which the securities were being purchased or sold, usually based on a formula contained in its procedures, which generally would fill the very smallest orders first and allocate the remaining share transaction pro rata.

Item 13. Review of Accounts

A. Periodic Review of Client Accounts

After the initial meeting with each new client, either the President or the Chief Operating Officer of the Firm meets with each client regularly, in person, by telephone or by video conference, usually at least once a year, to review the client's then current financial situation, any changes to the financial situation of the client and the status of the client's accounts. Broad Cove reviews client accounts continuously to monitor the securities in the accounts and to make such changes to those securities as Broad Cove believes necessary or appropriate to manage the accounts based on each client's disclosed financial situation and objectives.

B. Factors Triggering a Review

Either the President or the Chief Operating Officer will conduct a review of client accounts other than annually if:

- (i) markets are volatile.
- (ii) if clients are concerned about markets or other events affecting the financial markets.
- (iii) if a client advises the Firm that the client has encountered unexpected events affecting the client's financial situation; or
- (iv) if the Investment Committee recommends that certain securities should be removed or added to client accounts immediately.

C. Reports to Clients

The custodian of clients' assets provides regular summary account statements directly to Firm clients, at least quarterly. The broker-dealer executing client transactions provides confirmations of transactions to clients each time the broker-dealer executes a transaction for the client. From time-to-time, Broad Cove will send written or electronic reports to clients, which contain market-related information, such as an inventory of account holdings or account performance. Occasionally, Broad Cove will retain the services of a third-party service provider to send market-related or other information to clients. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Broad Cove or an outside service provider.

Item 14. Client Referrals and Other Compensation

A. Compensation from Non-Clients

Neither Broad Cove nor any of its supervised persons accepts any form of compensation, including cash, sales awards or prizes, from a non-client that relate to the advisory services the Firm provides to its clients.

B. Compensation for Referrals

Broad Cove does not engage solicitors to refer potential clients to the Firm. Neither Broad Cove nor any of its supervised persons compensates any third party for referring clients to Broad Cove.

Item 15. Custody

Broad Cove does not have direct custody of client assets, but requires clients to place their assets with a *qualified custodian* with which Broad Cove has arranged to hold client assets defined by SEC rules (see **Items 4 and 5**). Under the SEC's rules regarding custody, qualified custodians that hold client assets must be subject to an unannounced surprise audit to verify the client assets held at the qualified custodian.

Broad Cove may be considered to have custody because its clients authorize Broad Cove to have its advisory fees deducted directly from the assets in the clients' accounts and because Broad Cove regularly uses standing letters of authorization (**SLOA**) to move client assets among the client's financial accounts or to pay third party vendors. **Item 5.B** describes the procedures that Broad Cove has implemented to protect clients' assets when its fees are withdrawn from the clients' accounts. With respect to each SLOA authorized by a Firm client, the Firm has implemented the following procedures to protect client assets:

- (i) The client must provide written instructions to the qualified custodian holding the assets, which instructions must include: (a) the client's signature; (b) the name of the third party to which the SLOA authorizes payment; and (c) either the third party's address or the account number of the third party's financial account held at the third party's custodian to which the transfer of assets should be directed.
- (ii) The client instructions must authorize Broad Cove to direct transfers to the third party either on a specified schedule or from time to time, using either the form provided by the qualified custodian or a separate document acceptable to the custodian, .
- (iii) Broad Cove must confirm that the qualified custodian of the client's assets from which the transfer is being made performs appropriate verification of the instruction, such as a signature review or other method, to verify the client's authorization and the qualified custodian must provide a transfer of funds notice to the client promptly after each transfer.
- (iv) The client must have the ability to terminate or change the instruction to the client's qualified custodian.
- (v) Broad Cove must not have any authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instructions.
- (vi) Broad Cove must maintain records showing that the third party is not a related party of Broad Cove or located at the same address as Broad Cove.
- (vii) The qualified custodian of the client's assets from which the transfer originates must send the client, in writing, an initial notice confirming the instructions relating to the SLOA and an annual notice reconfirming the instructions.

Because of the implementation of procedures with respect to the withdrawal of fees and SLOA's, Broad Cove is not subject to an annual surprise accounting examination. Broad Cove does not send separate statements to clients. Broad Cove will send statements to clients who do not hold assets with the selected custodian or who do not have Broad Cove fees deducted from their accounts. Clients should review all statements carefully and bring any changes to the attention of Broad Cove.

Item 16. Investment Discretion

Broad Cove usually requires its clients to grant it discretion in managing client accounts. See **Item 4.B.1.**

Item 17. Voting Client Securities

A. Voting Policies and Procedures

1. *Broad Cove Policy*

It is the policy of Broad Cove not to accept and vote proxies solicited by Fund Managers, issuers of equity securities, or by issuers of other types of securities, which proxies seek approval of Fund or corporate matters. Fund Managers usually send proxies to holders of the interests in the Funds directly to those Fund shareholders. Similarly, issuers of other types of securities held by clients usually send proxies directly to their shareholders. Broad Cove acknowledges and agrees that it has a fiduciary duty to vote any proxies that it is required to vote, solely in the best interests and for the exclusive benefit of its clients.

2. *Broad Cove Procedures*

Broad Cove has adopted and implemented written Proxy Voting Policies and Procedures that apply if Broad Cove is required to vote proxies for issuers of securities held by its clients (***Proxy Voting Procedures***). Firm Management believes that its Proxy Voting Procedures are reasonably designed to ensure that when it is obligated to vote proxies, it will attempt to vote the proxies in the best interest of its clients. The Proxy Voting Procedures address who has the authority to vote client proxies, how to resolve material conflicts of interest, recommendations on how to vote the proxies, notifications to the client and what records need to be maintained to verify that the procedures have been followed. The Chief Compliance Officer is responsible for overseeing the Firm's compliance with the Proxy Voting Procedures.

3. *Recordkeeping*

If Broad Cove receives any proxies to be voted by its clients, Broad Cove must retain documents describing: (i) to whom the proxies were sent if they were not voted by Broad Cove; (ii) how Broad Cove voted the proxies if it did vote them; (iii) copies of the proxy statements that accompanied the proxies; (iv) copies of any other materials on which Broad Cove relied in deciding how to vote the proxies; (v) copies of any requests from clients for information about the proxy votes by Broad Cove. The procedures require Broad Cove to send copies of the information listed in this section promptly, to any client who requests such information. The procedures also require Broad Cove to keep a record of every request by clients for proxy voting information, including the date the request was received by Broad Cove and the date Broad Cove sent the information to the client.

B. Class Action Voting

It is the policy of Broad Cove not to vote for clients in any legal proceedings involving companies whose securities are held in any client account, including the filing of “Proofs of Claim” in class action settlements. Clients may direct Broad Cove to send copies of class action notices to the client or to a third party on behalf of the client. Broad Cove will follow the direction of the client to the extent reasonably possible.

Item 18. - Financial Information

The Firm

- (i) does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance;
- (ii) has never been subject to a bankruptcy petition;
- (iii) has discretionary authority over client accounts; and
- (iv) is not aware of any financial condition that it believes is reasonably likely to impair its ability to meet contractual commitments to clients.