

# Davidov Financial Coaching, LLC Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Davidov Financial Coaching, LLC. If you have any questions about the contents of this brochure, please contact us at (516) 587-5550 or by email at: [michael@davidovfinancial.com](mailto:michael@davidovfinancial.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.*

*Additional information about Davidov Financial Coaching, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Davidov Financial Coaching, LLC's CRD number is: 166794*

1981 Marcus Ave, Suite 231  
New Hyde Park, NY 11042  
(516) 587-5550  
[michael@davidovfinancial.com](mailto:michael@davidovfinancial.com)

*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Davidov Financial Coaching, LLC on February 21, 2020 are described below. Material changes relate to Davidov Financial Coaching, LLC's policies, practices or conflicts of interests.

- The firm has added the custodian TD Ameritrade Institutional (Item 12 & 14).

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Davidov Financial Coaching, LLC is a Limited Liability Company organized in the state of New York.

The firm was formed in February 2013, and the principal owner is Michael Davidov.

### **B. Types of Advisory Services**

Davidov Financial Coaching, LLC (hereinafter “DFC”) offers the following services to advisory clients:

#### ***Investment Supervisory Services***

DFC offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. DFC creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client’s specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Portfolio Rebalancing
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

DFC evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. DFC will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

### ***Services Limited to Specific Types of Investments***

DFC generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, ETFs, and government securities. DFC may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

DFC offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. DFC does not participate in any wrap fee programs.

### **E. Amounts Under Management**

DFC has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 67,602,330.00	\$ 0.00	December 2020

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Investment Supervisory Services Fees***

Total Assets Under Management	Annual Fee
All Assets Under Management	0.99%

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit II of the Investment Advisory

Contract. There is a fee of \$250 - \$500 to analyze a client's investment portfolio. Fees are paid quarterly in advance, and clients may terminate their contracts with fifteen days' written notice.

Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Fees that are collected in advance will be refunded based on the prorated amount of work completed up to the day of termination within the quarter terminated. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.

Advisory fees are withdrawn directly from the client's accounts with client written authorization.

### ***Financial Planning Fees***

#### ***Hourly Fees***

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$350 and \$600. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

The fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

Advisory fees may also be invoiced and billed directly to the client quarterly in advance. Clients may select the method in which they are billed.



### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check or credit card in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

#### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by DFC. Please see Item 12 of this brochure regarding custodian.

#### **D. Prepayment of Fees**

DFC collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or return to credit card. Fees will be deposited back into client's account within fourteen days.

The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter).

#### **E. Outside Compensation For the Sale of Securities to Clients**

Neither DFC nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

### **Item 6: Performance-Based Fees and Side-By-Side Management**

DFC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7: Types of Clients**

DFC generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High Net Worth Individuals

### *Minimum Account Size*

There is no account minimum.

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

### **A. Methods of Analysis and Investment Strategies**

#### *Methods of Analysis*

DFC's methods of analysis include fundamental analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

#### *Investment Strategies*

DFC uses long term trading and short-term trading.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

#### *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading generally holds greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

DFC generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. The investment

types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## Item 9: Disciplinary Information

### A. Criminal or Civil Actions

There are no criminal or civil actions to report.

### B. Administrative Proceedings

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither DFC nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither DFC nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Michael Davidov is an attorney of Davidov and Davidov (Davidov Law Group). From time to time, he will offer clients advice or products from those activities. DFC always acts in the best interest of the client. Clients are in no way required to implement the plan through any representative of DFC in such individual's outside capacities.

Michael Davidov is a lawyer. From time to time, he will offer clients advice or products from this activity. Davidov Financial Coaching, LLC always acts in the best interest of the client. Clients are in no way required to utilize the services of any representative of Davidov Financial Coaching, LLC in their capacity as a lawyer.

Michael Davidov is a licensed insurance agent. From time to time, he will offer clients advice or products from this activity. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Davidov Financial Coaching, LLC always acts in the best interest of the client; including in the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of Davidov Financial Coaching, LLC in their capacity as a licensed insurance agent.

Michael Davidov is a real estate broker or dealer. From time to time, he will offer clients advice or products from this activity. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Davidov Financial Coaching, LLC always acts in the best interest of the client; including in the sale of commissionable products to advisory clients. Clients are in no way required to implement

the plan through any representative of Davidov Financial Coaching, LLC in their capacity as a real estate dealer or broker.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

DFC does not utilize nor select other advisers or third party managers. All assets are managed by DFC management.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

DFC does not recommend that clients buy or sell any security in which a related person to DFC or DFC has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of DFC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of DFC to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. DFC will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of DFC may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of DFC to buy or sell securities before or after recommending securities to clients resulting

in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. DFC will always transact client's transactions before its own when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The custodian is selected based on the transaction fees relative to other custodians and access to mutual funds and ETFs. Additional factors used to choose the Custodian, Schwab Institutional, a division of Charles Schwab & Co., Inc., (CRD # 5393), TIAA-CREF and TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC are the custodian's support services, reputation and cost-benefit compared to other custodians. A robust trading platform is another consideration in selecting a custodian.

#### ***1. Research and Other Soft-Dollar Benefits***

DFC receives no research, product, or services other than execution from a third-party in connection with client securities transactions ("soft dollar benefits").

#### ***2. Brokerage for Client Referrals***

DFC receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

DFC does not allow clients to direct brokerage; however, DFC may recommend custodians. DFC may be unable to achieve most favorable execution of client transactions to direct brokerage. This may cost clients money because without the ability to direct brokerage DFC may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

DFC maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing DFC the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly only by Michael Davidov, Managing Member. Michael Davidov is the chief advisor and is instructed to review clients' accounts with regard to clients' respective investment policies and risk tolerance levels. All accounts at DFC are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Michael Davidov, Managing Member. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian. DFC does not provide additional written report; all required reports will be sent by the custodian. DFC itself does not provide clients with reports.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

DFC participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade offers to independent investment advisor services which include custody of securities, trade execution, clearance and settlement of transactions. DFC receives some benefits from TD Ameritrade through its participation in the Program.

As part of the Program, DFC may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between DFC's participation in the Program and the investment advice it gives to its clients, although DFC receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade



retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving DFC participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have DFC's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to DFC by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by DFC's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit DFC but may not benefit its client accounts. These products or services may assist DFC in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help DFC manage and further develop its business enterprise. The benefits received by DFC or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, DFC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by DFC or its related persons in and of itself creates a conflict of interest and may indirectly influence DFC's choice of TD Ameritrade for custody and brokerage services.

#### **B. Compensation to Non – Advisory Personnel for Client Referrals**

DFC does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Item 15: Custody**

DFC, with client written authority, has limited custody of client's assets through direct fee deduction of DFC's fees only. If the client chooses to be billed directly by Schwab Institutional, a division of Charles Schwab & Co., Inc., (CRD # 5393) and TIAA CREF, DFC would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive, from the custodian, all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy. DFC may also be deemed to have custody over the funds and securities of trust accounts for which it or its related persons serve as trustee.



## **Item 16: Investment Discretion**

For those client accounts where DFC will have investment discretion, the client has given DFC written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides DFC discretionary authority via a discretionary investment management clause in the Investment Advisory Contract and/or a limited power of attorney clause in the contract between the client and the custodian. The limited power of attorney must be executed by the client.

## **Item 17: Voting Client Securities (Proxy Voting)**

DFC will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

DFC does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither DFC nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

DFC has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

DFC currently has only one management person/executive officer; Michael Davidov. Michael Davidov's education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Michael Davidov's other business activities can be found on the Supplemental ADV Part 2B form.

### **C. How Performance-based Fees are Calculated and Degree of Risk to Clients**

DFC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at DFC or DFC has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither DFC, nor its management persons, has any relationship or arrangement with issuers of securities.