

DeFelice Capital Management LLC

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This **brochure** provides information about the qualifications and business practices of DeFelice Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities authority.

DeFelice Capital Management LLC is a registered investment advisor with the United States Securities and Exchange Commission (SEC).

Registration of an investment advisor does not imply any level of skill or training.

The verbal and written communications of an investment adviser provide you with information you need to determine whether to hire or retain the advisor.

Additional information about DeFelice Capital Management LLC is also available on the SEC's website at: www.adviserinfo.sec.gov.

The Firm's CRD number is 120029.

ITEM 2: MATERIAL CHANGES

February 2020 – There are no material changes as this is an initial SEC registration.

September 2020:

- Item 4.B – Added language for the Specific Account Parameters for General Approach Accounts to further clarify that General Approach Accounts may be managed with a Primary Goal other than Capital Appreciation and that General Approach Accounts may be managed with risk tolerance levels that are not the “highest”.
- Item 8.C – Updated and reformatted some risks in the risk section.
- Entire document – Corrected formatting and punctuation throughout the document.

November 2020:

- Item 5.A – Financial planning fee is updated to include a minimum charge of \$2000 per year. The relevant section now reads: “The annual Financial Planning Fee is 35 basis points (0.35%) on the total value of the Accounts encompassed by the Financial Plan or an annual charge of \$2000 – whichever is greater, as fully delineated and described in advance by DCM.”
- Item 8.C – Updated the additional risks in this Item.
- Entire document – Corrected some formatting and punctuation throughout the document.

March 2021:

- **AUM update:** On December 31st, 2020, DCM managed assets of \$34.854 million on a discretionary basis. As of March 26th, 2021, managed assets were \$43.707 million.
- Entire document – Corrected some formatting and punctuation throughout the document.

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ITEM 4: ADVISORY BUSINESS

4.A: Description of Business & Owner:

DeFelice Capital Management LLC (referred to herein as “we,” “our,” “us,” and “DCM”) is a money management firm. Our selections include small, medium and large companies from both domestic and foreign issuers. Sometimes portfolios are also invested in mutual funds, exchange traded funds (ETF’s), and fixed income and preferred issues and the like. In addition, we may invest in almost any security traded on domestic or international exchanges. Typically, portfolios are concentrated in a limited number of domestic, large capitalization companies. DCM LLC is wholly owned and operated by Gregory W. DeFelice, who is also the sole employee.

DCM has been operating as a money management firm since 2002. From 2002 to May 2019, DCM was registered with the State of California. From June 2016 through 2018, DCM was also registered with the State of New York. Thereafter, DCM operated as a Family Office and registered with the SEC as of March 31st, 2020.

*Please note: In this brochure, the terms “written reports” and “in writing” and “mail” or similar terms that may imply hard copy communication, could also mean email or other electronic (or similar) communication.

4.B: Advisory Services Offered – Investment Management, Financial Planning & TPA:

Investment Management:

Initially, DCM offers the same suite of services to all prospective Investment Management Clients. And, all Clients must accept the **Specific Account Parameters** laid out below. Generally, DCM currently offers to invest, on a discretionary basis, Client Accounts in stocks, bonds, open and closed-end mutual funds, ETF’s, warrants, preferred stock and most any other type of investment that is, or may be, traded on an exchange. As stated above, our selections include small, medium and large companies from both domestic and foreign issuers. Sometimes portfolios are also invested in mutual funds, exchange traded funds (ETF’s) and fixed income and preferred issues. Typically, portfolios are concentrated in a limited number of domestic, large capitalization companies.

We do not invest Client Accounts based on Client pre-approval of each purchase or sale (i.e. on a non-discretionary basis), but rather, we choose the investments without input from Clients (i.e. discretionary).

While it is conceivable that DCM would consider managing an Account on a non-discretionary basis, we do not currently manage any Account in this way and is unlikely to do so except in special circumstances. Notwithstanding the preceding, when an Account is managed using the “General Approach” (detailed below), DCM will work the Client to ensure that its/his/her/their Account is managed to suit the Client’s particular financial situation and goals.

However, it is always incumbent upon the Client to notify DCM in writing if the Client feels that it/he/she/they is no longer suited to the “Specific Account Parameters” laid out below.

Specific Account Parameters: Except in specific cases in “General Approach” Accounts, at the outset, DCM only accepts Clients that accept that the allocation to stocks can be 100%. All portfolios must meet and accept the following standards, except in specific cases in “General Approach” Accounts:

- A **primary goal** of “**Capital Appreciation**” (as opposed to, for example, “Capital Preservation” or “Current Income”); however in “General Approach” Accounts, it is possible that the Client and DCM may agree to limit stock exposure to a certain percentage of the Account and thus the primary goal may be changed – in writing – to match such limitations.
- The **highest risk tolerance** that can tolerate substantial price declines in both individual security prices and the value of the Account; however in “General Approach” Accounts, it is possible that the Client and DCM may agree to limit stock exposure to a certain percentage of the Account and thus the risk tolerance level may be changed – in writing – to match such limitations.
- The **possibility of permanent loss** of capital;
- A **minimum five (5) year** time horizon.

Once, and assuming, a prospective Client accepts the suitability requirements laid out above in the “Specific Account Parameters”, DCM has two (2) general offerings for investment management:

Two (2) Types of Investment Management:

1) The “Concentrated Approach”:

This approach is only suitable for “high net worth investors” who meet the Qualified Client standard.

Currently, for individuals, this standard requires a person (together with a spouse, if applicable) has either:

- (a) A net worth of at least \$2,100,000 (exclusive of the value of a primary residence and any related indebtedness);

OR:

- (b) will have at least \$1,000,000 of assets under management with DCM immediately after entering into an advisory relationship with DCM.

(A further description of this current standard can be found here:

<https://www.sec.gov/rules/other/2016/ia-4421.pdf>)

The **Concentrated Approach** will concentrate Account holdings in as few as two (2) securities – though will typically hold more – and this approach is likely to engage in relatively more trading activity (possibility of higher taxes in taxable Accounts) and use of options and margin borrowing (significantly higher risk of permanent loss) than is the case in the “General Approach” (described below).

After reviewing a prospective Account holder's financial situation and risk tolerance, and in conjunction with detailed conversations with prospective Account holders, DCM may decide, ultimately, in its sole discretion, that a prospective Account holder may have some or all of its/his/her/their assets invested with DCM managed using the Concentrated Approach.

The performance (if reported) of Account(s) that employ the Concentrated Approach will be, or is, reported separately from those that are managed using the General Approach (described below). For Account(s) following the Concentrated Approach, performance (if reported) will be, or is, compared to the return of the S&P 500 Index (assuming dividends are reinvested).

However, there should be no expectation that performance will track the performance of the S&P 500 – either in the short-term or the long-term (more than five [5] years). An investor with an Account following the “Concentrated Approach” may perform far worse than the S&P 500 Index or any other index or investment that such an Account might be compared by the Client.

In any event, there should be no expectation that such performance comparisons (if made) are necessarily relevant to making any judgement with respect to the value of the services DCM provides to such Accounts. DCM does not and cannot guarantee any performance results and such reporting is for informational purposes only.

If reported, performance will be reported no more frequently than annually.

*Please note: After accepting the **Specific Account Parameters** described above, and assuming a Client meets the **Qualified Client** standard laid out above, a Client may have one or more of its/his/her/their separate Account(s) managed using the Concentrated Approach while also having one or more Account(s) managed using the General Approach. For example, if the Client has taxable and non-taxable Account(s), the Client might choose to have some (or all) of its/his/her/their taxable Account(s) managed using the General Approach, where tax sensitivity is more likely to be a consideration as compared to the Concentrated Approach, while also having one (or more) of its/his/her/their non-taxable Account(s) managed using the Concentrated Approach, where taxes are not, generally, a consideration.

2) The “General Approach”:

This approach is necessarily suitable for all Accounts.

However, Accounts following the General Approach must still accept the risk parameters described above in the section titled **Specific Account Parameters**.

After an initial assessment of the prospective Client's financial situation and risk-tolerance and in consideration of other individual (if applicable) financial circumstances such as the age, retirement goals, expense expectations and the like, each Account managed using the General Approach can be done so as to suit the individual Account holder.

The performance (if reported) of Accounts that employ the General Approach is, or will be, reported separately from those that managed using the Concentrated Approach.

Because the General Approach is tailored to each Client, performance (if reported), will be compared to a benchmark that is appropriate to the type and asset allocation of each General Approach Account. For example, if a General Approach Account is invested in a mix of stocks and bonds of 60%

stocks and 40% bonds, a blended index would be considered a suitable comparable. (For example, Vanguard currently offers the “Vanguard Balanced Index Fund” [symbol VBINX] which invests roughly 60% in stocks and 40% in bonds tracking two indexes that represent broad barometers for the U.S. equity and U.S. taxable bond markets. DCM considers Vanguard to be low cost, in general.)

Or, if a General Approach Account is invested in a portfolio of all stocks, the S&P 500 Index with dividends reinvested might be appropriate. Such comparisons will be disclosed and updated as appropriate.

In any event, there should be no expectation that performance comparisons (if made) are necessarily relevant to making any judgement with respect to the value of the services DCM provides to such Accounts. DCM does not and cannot guarantee any performance results and such reporting is for informational purposes only.

If reported, performance will be reported no more frequently than annually.

*Please note: Importantly, because one General Approach Account may have different asset allocation and a different mix of stocks or bonds and cash within an allocation than another General Approach Account, the performance of General Approach Accounts should not necessarily be considered to have any comparability to one another; if DCM reports or advertises the performance of General Approach as combined group, the prospective or existing Client should not consider such performance as representative of any individual General Approach Account’s past performance, much less as predictive of the future performance of an Account following the General Approach. Investment results may vary between Accounts managed using the Concentrated Approach and the General Approach. In addition, investment results may vary among, and across, all Accounts. The past results of DCM’s management of investment portfolios are not necessarily indicative of future performance.

Financial Planning:

DCM’s Financial Planning service seeks to determine what it believes to be a rational allocation of stocks, bonds, cash, real estate and other investments that will help a Financial Planning Client achieve its/his/her/their goals in retirement. DCM runs various simulations and scenarios to assist in determining whether the Financial Planning Client is on track to have enough assets and investments to meet its/his/her/their goals in retirement.

DCM will show the Financial Planning Client the effects of a range of future scenarios for inflation, housing price appreciation (or depreciation), and both possible & expected major cash inflows and outflows (for example, from a windfall inheritance or the costs of private school and college). DCM will recommend investments it believes are low cost.

DCM does not get paid based on what or whom we recommend (except in the case of a referral to a Third Party Advisor) but rather based on how large the Financial Planning Client’s asset base grows over time. DCM believes this aligns its interests with those of the Financial Planning Client.

We may request additional information and documentation such as current investments, tax returns, insurance policies, and estate plans. Unless directed by a Financial Planning Client, we do not independently verify any information provided to us by Financial Planning Client or its/his/her/their attorney, accountant or other professionals whom a Financial Planning Client may direct to contact DCM on its/his/her/their behalf.

*Please note: In the case that part, or all, of Financial Planning Client's investment is ultimately managed by a Third Party Advisor, described below, DCM would receive half of that management fee. However, in that case, no additional Financial Planning Fee is charged by DCM on the portion, if any, managed by the Third Party Advisor. Nevertheless, there is a theoretical conflict of interest – namely, that DCM could be considered to have an incentive to recommend an investment with a TPA rather than an alternative that might be lower in cost.

Third Party Advisor:

DCM may refer Clients, or prospective Clients, to a Third Party Advisor (TPA). A TPA may be recommended when the TPA's philosophy, investment strategy, and style meets the Client's financial situation, investment objectives, and risk tolerance. In such cases, DCM is acting as a Solicitor.

In such instances where DCM is acting as a Solicitor for a TPA, the relationship is fully disclosed.

The asset management services provided by the TPA, the compensation to be paid by the Client to the TPA (and shared, as described below, with DCM), and other terms of the relationship between the Client and the TPA will be disclosed in the TPA's account agreement – and as executed by and between the TPA and the referred Client – and as otherwise disclosed by the TPA.

In addition, the fee-sharing arrangement between the TPA and DCM – the fee is split on a 50% to the TPA and 50% to DCM basis – is also fully disclosed and all referred Clients sign a document that describes the fee sharing arrangement between the TPA and DCM.

TPA's that DCM has agreements with charge a maximum fee of 1% per annum of assets on a quarterly basis, in arrears. As fully disclosed, when acting as a Solicitor for the TPA, DCM has no additional authority or over the actions of the TPA and such referred Clients must meet the requirements set forth by the TPA in its ADV part 2A, its contract, and as may also be set forth by the TPA in direct communication with a referred Client.

4.C: Tailoring of Advisory Services to Needs of Clients & Client Imposed Restrictions:

If a Client requests something especially to its/his/her/their needs, we will do our best accommodate such request(s). On a case by case basis, our Clients may impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs – such restrictions must be communicated by the Account owner in writing. Any Account with restrictions of any type will be managed as a "General Approach" Account. If DCM decides that it cannot meet the needs of the Client on mutually agreeable terms, DCM will terminate the management of an Account.

4.D: Wrap Fee Disclosures:

We do not provide portfolio management services to a wrap fee program.

4.E: Assets Under Management:

On December 31st, 2020 DCM managed assets of \$34.854 million on a discretionary basis (As of March 9th, 2021, assets were \$43.039 million.) We do not manage any assets on a non-discretionary basis.

ITEM 5: FEES AND COMPENSATION

5.A: Description of Fees:

Investment Management Services – Management Fee:

Investment Management Services are provided based on the following fee schedule:

One-percent (1%) per year of assets under management, billed quarterly and in arrears.

The fee is billed at the end of each quarter, based on the assets under management as of the last day of the calendar quarter. The Account will pay to DCM a management fee of 1.0% per annum (0.25% per quarter) of the fair market value of the net assets in the Account. The Investment Management Fee is due and payable immediately following the end of each quarter. The Investment Management Fee for any quarter shall be based on the value of the net assets of the Account as of the last day of the immediately preceding quarter, adjusted for contributions and withdrawals.

If capital is contributed to the Account, including its initial capital, on any day during a calendar quarter other than the first day of the quarter, DCM shall be entitled to a prorated portion of the Investment Management Fee in respect of such additional or initial capital for the relevant calendar quarter based on the number of days remaining in that quarter.

The Investment Management Fee is negotiable. However, DCM's expectation is that DCM may only negotiate the fee if the Account is more than \$50 million.

Client may be able to engage other advisors for Investment Management that charge lower fees than those charged by DCM.

Client may end our Investment Management relationship by providing fourteen (14) days' prior written notice. Upon termination, if termination is on a date other than the last day of a calendar quarter, an invoice for fees earned through the termination date will be provided. In this instance, such fees will not be directly deducted from the Account.

Financial Planning Services – Financial Planning Fee:

The annual Financial Planning Fee is 35 basis points (0.35%) on the total value of the Accounts encompassed by the Financial Plan or an annual charge of \$2000 – whichever is greater, as fully delineated and described in advance by DCM.

The Financial Planning Fee is billed semi-annually, in arrears, as of last day of the billing period.

The Financial Planning Fee is not deducted but rather is invoiced by mail.

The Financial Planning Fee is negotiable.

Client may be able to engage other advisors or financial planners for Financial Planning that charge lower fees than those charged by DCM.

Client may end our Financial Planning relationship by providing fourteen (14) days' prior written notice. Upon termination, an invoice for fees earned through the termination date will be provided.

Third Party Advisor Services – TPA Fee:

In the case of Third Party Advisors, fees and fee agreements are arranged between the referred Client and the TPA. DCM disclaims responsibility for confirming the accuracy of TPA fees. Notwithstanding the foregoing, DCM makes best efforts to ensure any TPA fee charged to a referred Client is accurate.

5.B: How Fees are Paid:

In the case of the **Investment Management Services Fee**, we require that the Client provide authorization for us to deduct our fees directly from Client Accounts.

In certain mutually agreeable circumstances, DCM may accept payment via check, or otherwise as is mutually agreeable.

Important information about the deduction of management fees directly from the Account:

- Client must provide authorization for us to deduct fees by signing our contract;
- Client will receive an invoice each quarter that outlines our fees and how they are calculated at the same time we request payment from the custodial broker-dealer or the custodian;
- Client will receive a statement from the Client's custodial broker-dealer or the custodian that shows the Client's holdings as well as the amount of the fee;
- Client is responsible for reviewing the accuracy of the billing statement, as the custodial broker-dealer or the custodian will not do so. Of course, DCM will make all reasonable efforts to ensure that the fee is billed correctly.

In the case of the **Financial Planning Services Fee**, an invoice is mailed to the client semi-annually. Fees are billed in arrears.

In the case of fees for the **Third Party Advisor Services Fee**, all fee arrangements are agreed to or negotiated by the referred Client and the TPA.

Client may end our Investment Management Services relationship and / or our Financial Planning Services relationship by providing fourteen (14) days' prior written notice.

***Please note:** DCM believes the fees paid to it for either or both of Investment Management and Financial Planning, as well as those that may be charged by a Third Party Advisor (and shared with DCM), are competitive; however, Client may be able to obtain similar services from other sources at a lower price.

5.C: Other Non-DCM Expenses:

In addition to the fees paid to DCM, as described above for each of: Investment Management Services and / or Financial Planning Services and / or charged directly by a TPA to a referred Client (and shared with DCM), the Account may incur, and is responsible for paying, expenses and costs associated with investing and maintaining the Account.

These may include, but are not necessarily limited to:

- Brokerage (trading) costs and transaction fees and other miscellaneous expenses, such as IRA maintenance fees and account closing fees. These are generally charged to the Account by the executing broker-dealer, executing custodial broker-dealer, and / or the custodian. None of these expenses, to the extent incurred, are paid to, or shared with, DCM;
- Fees paid for custodial services. None of these expenses, to the extent incurred, are paid to, or shared with, DCM;
- Wiring fees, which are often charged if the Client decides to add or remove capital from the Account. No part of any wiring fee, to the extent incurred, is paid to, or shared with, DCM;
- Expenses and other fees charged by the entities which manage and administer ETF's and mutual funds and other managed, exchange tradeable investments. None of these expenses and fees, to the extent incurred, are paid to, or shared with, DCM and these types of expenses are often not separately disclosed by the entity receiving them;
- Mutual funds management fees and 12b-1 fees and miscellaneous other costs charged by mutual funds as well as fees charged by ETF's (or the like). None of these fees and expenses, to the extent incurred, are paid to, or shared with, DCM and these types of fees and expenses are often not separately disclosed by the entity receiving them;
- Mutual fund loads (if applicable). These charges are paid as a form of commission which can be shared with the entity recommending the investment. None of these loads, to the extent incurred, are paid to, or shared with, DCM and these types of fees are often not separately disclosed by the entity receiving them. DCM tends to avoid mutual funds with loads;

In general, DCM believes that when such expenses are incurred by the Account, they are customary and reasonable. People who choose to manage an account independently would still have to pay most, if not all, of these expenses.

In addition, since DCM receives no part of the money paid for these expenses, DCM believes its interests are aligned with the Client's because DCM wants these expenses to be low. As described earlier, in "Item 5: – Fees and Compensation", the only fee DCM receives from the Account is based on the total value of the Account at the end of each period billing period. DCM is compensated by the level of assets in a Client's Account and therefore has a monetary interest in keeping these expenses to a minimum. Any other expense incurred by the account reduces the total value of the Account and, thus, reduces the Management or Financial Planning fee ultimately received by DCM.

Additional information about these costs and expenses is provided in "Item 12: – Brokerage Practices."

5.D: Prepaid Fees and Refunds:

DCM does not assess pre-paid fees and therefore has no provision for a refund unless an Investment Management Service Fee or a Financial Planning Services Fee was calculated incorrectly. While most Accounts will match exactly, DCM does accept a \$100 variation between the portfolio balance computed for a Client fee and actual Account balances.

*Please note: A \$100 overstatement in a Client Account balance would result in \$1 fee increase for DCM.

5.E: Compensation for Sales of Securities and Other Investment Products:

Neither DCM, nor any of its supervised persons, accepts (or receives) compensation for the sale of securities nor is paid for any services other than those described in “Item 5: – Fees and Compensation”.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

DCM does not charge any performance-based fees.

ITEM 7: TYPES OF CLIENTS

Our current Clients are individuals and high net-worth individuals, and both types of individuals represented by living trusts. We are open to accepting other types of Accounts as well, such as those from corporations.

Generally, we require that Clients maintain \$250,000 under management with us. However, we may waive that minimum at our sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

8.A: Methods of Analysis:

DCM uses a variety of methods of analysis in determining which investments to buy, sell or continue to hold. For example, in the case of purchases and sales of common equity, DCM makes its own estimation of the earnings power and earnings stability of the company and compares its current stock price to those of prospective investments (where we make similar estimates). Then, in the simplest analysis, DCM will buy (or hold) the cheapest investment and sell the more expensive one. DCM usually does not try to time the market nor does it regularly employ technical analysis in making its investment decisions.

DCM uses trade and business magazines, newspapers, newsletters and the like to search for new investments. We also use screening tools such as the “new low” list to look for potential ideas. DCM listens to conference calls, or reads transcripts of calls, both for investments we own and for those we are researching. We do the same for industry presentations and conferences. DCM is constantly looking for new ideas and keeping up with news and other information on existing holdings that might affect our judgment of their value. The process is not scientific but rather based on an accumulation of knowledge that informs subjective decisions. There is no specific analytical tool DCM uses to make decisions and the discussion above is by no means an exhaustive list of our methods of analysis. It is, though, a list of things we typically do.

8.B: Investment Strategies:

Typically, DCM’s strategy is to hold a concentrated (or, in Concentrated Approach Accounts, a very concentrated) portfolio of investments on the assumption that good ideas are limited and therefore we are likely to get the highest return by investing a high percentage of assets in what we believe to be our best ideas. Usually, we will be concentrated in a small group of common stocks. These stocks may be in similar or even the same industries. DCM will purchase investments that are not common stocks if we deem such investments attractively priced. DCM will also, if it believes it sees opportunity, invest in mutual funds, ETF’s, preferred stocks, warrants, rights and the like. In addition, in the case of Concentrated Approach Accounts, DCM will, if it believes it sees opportunity, invests in options and use margin (leverage).

In consideration of both the Concentrated Approach and the General Approach, described earlier, we determine the degree of concentration of a given holding using a combination of subjective factors such as our ‘certainty’ about the future of the business as well as our estimation of how cheaply the investment can be purchased. “Cheapness” can be based either on the price of the security in relation to our estimate of its current and future earnings or on our estimation of the value of its assets – and often on some combination of both. While DCM does not seek a prescribed balance of stocks, bonds and cash in order to reduce risk, we may nevertheless hold some combination of these asset classes at any given time.

However, as noted earlier in “Item 4.B: – Advisory Services Offered – Investment Management, Financial Planning & TPA: Specific Account Parameters”, in the case of certain General Approach Accounts, DCM – as agreed to in writing with Client – may determine that a pre-set ratio of stocks and bonds, adjusted as necessary to meet the Client’s needs and risk tolerance, would be an exception to the preceding sentence.

We do not operate under a mandate to stay fully invested in common stocks.

8.C: Risk of Loss:

In considering a contribution to the Account, and in the ongoing decision to maintain an Account, the prospective, or ongoing, Client should consult its/his/her/their independent legal, tax and other advisors, and should be aware of certain considerations and risk factors, including but not limited to, all the risks described in this “Item 8.C: – Risk of Loss”.

As the context implies, certain references to DCM, or the Account, are intended to refer to DCM’s investments on behalf of the Account.

The Account may include speculative investments that involve significant risks, and there can be no assurance that the Account will achieve any objective or that the Account and the Client will not incur substantial losses, including complete loss.

Client agrees it/he/she/they are ultimately responsible for Client's financial affairs.

All investments involve risk of loss. Investing in securities involves risk of loss that Client agrees it/he/she/they are willing to bear by opening, or maintain, an Account.

Client should be aware of its/his/her/their risk tolerance level and financial situation at all times and, importantly, is required to communicate (in writing) any changes in these factors as soon as practicable.

We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing the performance of an Account.

- In the **Concentrated Approach**, given our strategy of holding a small group of common stocks, the risk of loss should be considered high. The value of the Accounts can be (and has been) very volatile. Account values can drop 50% or more in a short period of time. The possibility of a permanent loss of capital should be considered high. As noted previously in "Item 4.B: – Advisory Services Offered:", DCM's Concentrated Approach is only suitable for Qualified Clients, as described in "Item 4.B: – Advisory Services Offered: – The Concentrated Approach". In addition to the meeting the Qualified Client Standard described in "Item 4.B: – Advisory Services Offered:", such investor must have the highest risk tolerance and must have at least a five (5) year investment horizon.

The Account holder must be next to certain any money invested with DCM will not be needed within five (5) years. And, at any time the horizon drops below five years, or an Account holder invested in the Concentrated Approach drops below the Qualified Client standard, the Account should be closed or switched to the General Approach as soon as practicable. An investment using DCM's "Concentrated Approach" is not suitable for those seeking capital preservation or current income.

- In the **General Approach (in all cases)**, there is also substantial risk of loss and any Account holder with a General Approach Account must also have the highest risk tolerance and must not be investing primarily for capital preservation or current income.

The General Approach is also only suitable for someone with the highest risk tolerance and at least a five (5) year investment horizon and who accepts the Specific Account Parameters as described above in "Item 4.B: – Advisory Services Offered – Specific Account Parameters". Importantly, as with the Concentrated Approach, an Account managed using DCM's General Approach might drop significantly in a short period of time as the quoted market prices of securities such as stocks, bonds or the like are wholly unpredictable in the short-term and can, and have, experienced large drops in short periods of time in the past.

*Please note: On a case by case basis, and as fully disclosed and mutually agreed in writing, DCM may accept limitations on the primary goals and risk-tolerance levels for a General Approach Account. Such limitations may occur at the outset of DCM's management of the Account or as Client circumstances and needs change in time.

The risks laid out above, as applied separately to the Concentrated Approach and the General Approach, together with the risks laid out below, applied to all Accounts, should not necessarily be considered an exhaustive list of risks to which each type of Account approach is exposed.

Set forth below are some additional risks all Account holders having an Account managed by DCM will bear.

These **Risks** include (but are not limited to):

Risk of Permanent Loss. All investments risk the loss of capital. The Manager believes that its investment program may mitigate this risk through its selection and monitoring of the Account's investments, but an investment made by the Manager for the Account is nevertheless subject to loss.

No guarantee is made that investments made by the Manager for the Client will be successful, and investment results may vary substantially over time.

Investment results may vary between, and among, Accounts managed using the Concentrated Approach and the General Approach.

As well, investment results may vary among, and across, all Accounts managed solely following the Concentrated Approach and solely following the General Approach.

Reported results of the Manager's management of investment portfolios are not necessarily indicative of future performance.

Reliance on Manager. The Manager manages the Account on a discretionary basis. Accordingly, the success of the Account may depend, in large part, upon the skill and expertise of the Manager. Further, the specific details of the Manager's investment methods are proprietary; consequently, the Client may not be able to determine the details of those methods. Gregory DeFelice, in his capacity as the Managing Member of DeFelice Capital Management LLC, is the sole Member of DCM as well as its only employee. His departure or incapacity could have a material adverse effect on the Account.

Cyber-Security Risks. The institutions that the Account does, or may do, business with, or that the Assets have been, or may be, entrusted to for custodial purposes, may be compromised due to unforeseen Cyber-Security threats. While the Manager employs 2-factor authentication (if available) to access the Account online as well as other measures to prevent unauthorized cyber access to the Account or information related to the Account, the Manager cannot determine whether other institutions, including but not limited to: counterparties, broker-dealers, custodial broker-dealers and custodians, that the Manager does, or may do, business with, or that the Assets have been, or may be, entrusted to for such purposes, have adequate cyber-security protections to prevent unauthorized intrusions into the Account. A cyber breach of the Account may result in losses, including without limitation, personally identifiable information such as Social Security numbers. The threats from Cyber-Security failures cannot be prevented at all times with current technology.

Counterparties, Broker-Dealers, Custodial Broker-Dealers, and Custodians May Fail – 1 of 2. The institutions that the Account does, or may do, business with, or that the Assets have been, or may be, entrusted to for custodial purposes, may encounter financial difficulties that impair the operational

capabilities or the capital position of the Account. Failures of such counterparties, broker-dealers, custodial broker-dealers and custodians may cause permanent losses in the Account.

Past events in the financial markets have revealed, in some cases, the financial instability of a number of theretofore stable, established and otherwise believed to be solvent, financial institutions that ultimately, rapidly, became insolvent. In the event that any of the Account's broker-dealers, custodial broker-dealers or custodians, or any entity that is involved in clearing or custody services at any time for the Account (as is the case with introducing brokers), becomes bankrupt and fails to segregate the assets of the Account, the Account may be subject to permanent loss. In addition, the Account may lose some of, or all of, its value due to negligence, fraud, and criminal activity on the part of such entities and / or their management and other employees.

In addition, if the Account is being managed as a **Concentrated Approach Account**, it may use margin. **Margin** poses special risks regarding the Account's claims on its assets in the event any of the Account's broker-dealers, custodial broker-dealers or custodians, or any entity that is involved in clearing or custody services at any time for the Account (as is the case with introducing brokers), goes bankrupt and is insolvent. The assets of the Account may become general liabilities that become comingled with the claims of all the creditors of one, or many, of the Account's broker-dealers, custodial broker-dealers or custodians, or any entity that is involved in clearing or custody services at any time for the Account (as is the case with introducing brokers). In this event, the Account may become worthless. Or, the Account may have to wait an indeterminate time to recover some or all of its assets.

In addition, the Account may be forced to pay the liability incurred from a margin loan even if the Account becomes worthless.

Counterparties, Broker-Dealers, Custodial Broker-Dealers, and Custodians May Fail – 2 of 2. If the Account is being managed as a **Concentrated Approach Account**, the Manager may invest assets of the Account in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities. In that event, the Account may indirectly take a credit risk with regard to parties with whom the Manager trades and may also indirectly bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with broker-dealers, custodial broker-dealers or custodians will be clearly identified as being assets of the Account and hence such Accounts should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or temporal problems associated with enforcing the Account's rights to its assets in the case of negligence, fraud, insolvency or criminal activity of any such party.

Substitute Payments in Lieu of Dividends. If the Account is being managed as a **Concentrated Approach Account**, and is also a margin account, in the event it holds securities on margin that pay "qualified dividends" (as defined by the Internal Revenue Service, subject to change), the Account may receive "Substitute Payments in Lieu of Dividends". In this event, such payments are not considered "qualified dividends" and are instead taxable at ordinary income tax rates. This may increase the amount of taxes owed to State or Federal authorities than would otherwise be owed if such Substitute Payments had not replaced "qualified" dividend payments.

General Economic Conditions. The outcome of any investment is affected by general economic conditions that may affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for both equities and interest rate-sensitive instruments. Volatility or illiquidity in the markets that the Account invests (directly or indirectly) could cause the Account to incur permanent losses.

Market Risks. To some extent, the profitability of the Account's investment program depends upon the ability of the Manager to correctly assess the future course of the value and price movements of securities and other investments. There can be no assurance that the Manager will be able to do this effectively.

Not Being Fully Invested Risk. The Manager does not have a mandate to stay fully invested in stocks at all times. However, Accounts typically must be willing to be fully invested at all times (though exceptions may be made, in writing, in certain Accounts following the General Approach). It is possible that an Account will vastly underperform alternatives that do have a mandate to stay fully invested in stocks at all times.

Being Fully Invested Risk. The Manager, initially, asks Account holders to agree that Accounts may be fully invested in stocks, bonds or other securities at all times (though exceptions may be made, in writing, in certain Accounts following the General Approach). It is possible that an Account fully invested at all times will vastly underperform alternatives that are not fully invested at all times.

Risks of Investing in Securities. Prices of securities react to the business and financial condition of the company that issued them. Prices of a security may rise and fall based on changes in the business or financial condition of the issuing company, changes in, or actions of, management and the potential for takeovers and acquisitions. Securities prices are highly volatile.

Taxes. The Manager's purchases or sales of securities in the Account may cause the Account's beneficial owner(s) to incur tax liabilities. The Manager may effect transactions in the Account without considering any tax liabilities such transactions may create. The Account may be worth less than any tax liability, created by such purchases or sales, at such time the liability is ultimately due and payable. The Manager cannot, and does not, give tax advice nor make any attempt to ensure transactions in the Account will not create tax liabilities. Tax information is provided by the custodial broker-dealer or the custodian; or, it is directly provided by the issuer of a security that believes the Account owner has incurred a tax liability due to the Account's existing, or prior, beneficial interest a security. Such information must be used by the beneficial owner(s) of the Account, or by the beneficial owner's or owners' tax advisors, to determine tax liabilities, if any. The Manager will not advise the Account owner whether the Manager believes a particular transaction, or set of transactions, has created a particular tax liability.

Taxes are a legal obligation of the Account and / or its beneficial owner(s).

Increased Competition for Investments. In recent years, there has been a marked increase in the number of, and flow of capital into, investment vehicles and accounts established to purchase investments similar to those that are, or may be, purchased by the Account. While the precise effect, if any, cannot be determined, such capital flows may result in greater competition for investment opportunities, or may result in increased price volatility or decreased liquidity with respect to securities positions held in the Account. The Client is made aware that the Account may compete with such investment vehicles and accounts, as well as with investment and commercial banking firms, that have substantially greater resources than the Manager.

Suspensions of Trading. Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchanges. Such suspensions have occasionally occurred in the past. A suspension could render it impossible for the Manager to liquidate positions held directly or indirectly by the Account and thereby expose the Account to losses.

Turnover. On occasion, the Account may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving brokerage commissions, other expenses, and taxes. These commissions, expenses, and taxes will reduce the profits that would otherwise accrue to the Account.

Trade Errors. On occasion, errors may occur with respect to trades executed on behalf of the Account. Trade errors can result from a variety of situations, including but not limited to, when the wrong security is purchased or sold or when the wrong quantity is purchased or sold. Trade errors frequently result in losses but may, occasionally, result in gains. If a trade error occurs, the Manager may have a conflict of interest in determining a fair resolution.

Equity Securities. The Account will, in all likelihood, trade in equity securities. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if, and to the extent, declared by the governing body of the issuer out of any income or other assets available after making interest, dividend, and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to, among other factors, specific situations for each company, industry market conditions, and general economic environments. The Manager may invest the assets of the Account in small-to-medium sized companies. These securities often involve greater risks than the securities of larger, better-known companies.

Small to Medium Cap Securities. At any given time, the Manager may have significant investments in the Account in small-to-medium sized companies with market capitalizations of less than \$1 billion. These securities often involve greater risks than the securities of larger, better-known companies.

Debt Securities. The Manager may invest assets of the Account in "high-yield" bonds (also known as, among other terms, "junk bonds") and preferred securities, including those of foreign nations. If rated at all, these securities are almost always rated in the lower rating categories by the various credit rating agencies (including, but not necessarily limited to: Moody's, Standard & Poor's and Fitch Group). Securities in these rating categories are, typically, subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is, typically, less liquid and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be purchased or sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

As well, even in cases where the Manager has invested assets of the Account in highly-rated bonds and preferred securities (also known as, among other terms, “investment grade”), including those of foreign nations, ultimately such ratings may, in hindsight, have been inaccurate. In such instances, bonds that were rated highly may ultimately become “high-yield” or “junk bonds”. Such changes can happen very rapidly. For example, during the Great Recession period of, and around, 2008, many such securities that had been rated in, or near, the highest rating categories of the rating agencies named above were very rapidly lowered to the lowest, or near the lowest, rating categories. The speed with which this happened then, and could happen in the future, might prevent the Manager from selling such securities at favorable prices. There can be no assurance that the Manager or rating agencies will be successful in analyzing or rating the credit risk of the instruments that the Account invests or trades.

Corporate Debt Obligations. The Account may invest in and trade corporate debt obligations, including those of foreign nations; these securities may or may not be rated (as described earlier in ***Debt Securities***). Corporate debt obligations are subject to the risk that an issuer may be unable to meet principal and interest payments on the obligations, rapid changes in ratings, and other risks. Any changes in the market’s perception of the credit risk of a debt instrument issued by a corporation may affect the value of the instrument even if the issuer is not in default. There can be no assurance the Manager will be successful in analyzing the credit risk of debt instruments that the Account invests or trades.

Municipal Bond Risk. Although any municipal bonds acquired by the Account will be issued on a tax-exempt basis in the United States, there is always the possibility that interest will be declared taxable by the U.S. Internal Revenue Service because of noncompliance by the issuers with Federal tax law requirements. In addition, municipal bonds are subject to issuer credit risk and, in the case of insured or other credit enhanced bonds, the risk of deterioration in the creditworthiness of the insurer or other credit enhancer. These risks, and additional risk factors for each municipal bond issue acquired, are particular to each issue and its issuer or insurer. There can be no assurance the Manager will be successful in analyzing the credit risk of the instruments that the Account invests or trades.

Trading in ETFs. The Account may invest in exchange-traded funds (“ETFs”). An ETF is frequently comprised of publicly traded stocks, bonds, preferred securities and the like, and is subject to the risks that come with direct ownership of such securities, as well as the risks associated with the ETF itself. In addition, investment techniques such as short selling and margin debt may be used by the managers of an ETF that could expose the Account to the risks associated with those investment techniques. Unlike open-ended mutual funds, ETFs may potentially trade above or below the value of their underlying portfolios. While most ordinary mutual funds can only be bought or sold at the end of the day at the calculated net asset value of the fund, ETFs may be purchased or sold throughout the day at prices that are not guaranteed to match the underlying value of the stocks in the portfolio.

Illiquidity of Underlying Investments. Assets in the Account may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and / or are restricted as to transferability. The sale of any such investments may be possible only at substantial discounts. Further, certain securities that the Manager may invest in may not have a readily ascertainable market price and will be valued by the Manager at its sole discretion. (However, the Client will have the right, but not the obligation, to consent to such valuations.) In this regard, the Manager may face a conflict of interest in valuing the securities, as valuation affects the Manager’s compensation.

Emerging Markets. The Manager may invest the Account in emerging market securities. Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include, but are not limited to: less liquidity of securities markets; currency exchange rate fluctuations; potentially higher rates of inflation (including hyper-inflation); a higher degree of governmental

involvement in and control over the economies, including expropriation; differences in auditing and financial reporting standards that may result in the unavailability of material information about issuers; less extensive regulatory oversight of securities markets; longer settlement periods for securities transactions; less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

Non-U.S., or Foreign, Securities. The Account may invest, directly or indirectly, in investment entities located in, or managed from, countries other than the United States. Investments outside the United States or denominated in non-U.S. currencies may pose currency exchange risks (including, but not limited to, blockage, devaluation, and non-exchangeability) as well as a range of other potential risks that may include, but are not limited to: expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility, and market manipulation. In addition, less information may be available regarding non-U.S. issuers and non-U.S. companies may not be subject to the same, or similar, accounting, auditing, and financial reporting standards and requirements comparable to, or as uniform as those of, U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. securities markets. Transaction costs of investing outside the U.S. are generally higher than in the U.S. Higher costs may result due to the cost of converting a non-U.S. currency to U.S. dollars (or vice-versa), the payment of fixed brokerage commissions on some non-U.S. exchanges, and the imposition of transfer taxes or transaction charges by non-U.S. exchanges. In addition, non-U.S. securities may have higher taxes imposed upon U.S. domiciled Accounts and due to various factors, including, but not necessarily limited to: withholding taxes – even non-taxable U.S. domiciled Accounts (IRA's and the like) may have to pay withholding taxes due to ownership of non-U.S. securities – and such taxes, if any, may not be recoverable by U.S. based Accounts; generally less government supervision and regulation of exchanges, broker-dealers, and issuers outside the U.S. than there is in the U.S.; greater difficulty in taking appropriate legal action in non-U.S. courts; and non-U.S. markets also have varied clearance and settlement procedures that in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures.

Special Situations. The Manager may invest assets of the Account in the securities of companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In investments in such situations, risks including, but not necessarily limited to: the event or events forming the rationale of the investment will be unsuccessful, take longer to unfold than expected or result in a distribution of a new security, the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Manager may be required to sell the Account's investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving special situation securities that the Manager may invest in, there is a risk of loss of the entire investment in such securities that may be considered higher than in non-special situation investments.

Currency Risks. Assets of the Account may be invested in securities or other instruments that are denominated in a foreign currency and are subject to the risk, among others, that the value of a particular currency will change in relation to the currency that the Account owner considers its primary currency. The Manager may try to hedge these risks by investing assets in the Account in foreign currencies. In **Concentrated Approach Accounts**, assets of the Account may be invested in foreign currency futures contracts and options thereon, forward foreign currency exchange contracts or similar instruments, or any combination thereof, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

Use of Leverage or Margin Borrowing. If the Account is being managed as a **Concentrated Approach Account**, the Manager may, when deemed appropriate by the Manager, and subject to applicable regulations, incur leverage in the Account. The assets of the Account may be used as security for direct borrowing in the Account – commonly known as a margin loan. To the extent the Account purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds were not used. The level of interest rates generally, and the interest rates that such monies may be borrowed at in particular, may change at any time. In addition, the lender may call the loan at any time and may change the amount of assets required to secure the loan at any time. If the interest expense on leverage exceeds the net return on the investments made with borrowed funds, the Account's use of leverage would result in a lower rate of return than if the Account had not employed borrowed funds. And, among other risks of borrowing, a margin loan exposes the Account to a higher risk of total loss due solely due to volatility in securities prices. Moreover, there is the risk that even if the Account becomes a total loss, worth zero, the liability incurred by borrowing may still be owed by the Account's beneficial owner(s), such that the Account could be worth less than zero.

Use of Derivatives – 1 of 2. The Manager may use derivative instruments, including without limitation: option contracts, swap agreements and forward contracts, and derivative techniques, such as synthetic short sales, for various hedging and / or speculative purposes. The use of such instruments and techniques may result in leveraging the Client's assets and expose the Account to significant risks, including, without limitation:

- The risk of total loss and the risk that a liability is created that ultimately is in excess of the value of the Account;
- The risk that interest rates, securities prices or currency markets will not move in the direction anticipated by the Manager;
- Imperfect correlation between the price of derivative instruments and movements in the prices of the securities, interest rates or currencies being hedged;
- The possible absence of a liquid secondary market for any particular instrument and possible exchange-imposed price fluctuation limits, either of which may make it difficult or impossible to close out a position when desired;
- Leverage risk, that is, the risk that adverse price movements in an instrument can result in a loss substantially greater than the initial investment in that instrument (in some cases, the potential loss is unlimited); and
- Particularly in the case of privately-negotiated instruments, the risk that the counterparty will fail to perform its obligations, leading to losses in the Account.

Use of Derivatives – 2 of 2. The Manager may use a number of option strategies in the Account. Exchange listed put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying security. Some options involve the risk that the entire Account could become worthless and, in certain circumstances, the Account could be liable for funds even if the Account becomes worthless.

With certain exceptions, exchange listed options generally settle by physical delivery of the underlying security or currency. Index options are cash settled for the net amount, if any, by which the option is "in-the-money" (i.e., where the value of the underlying instrument exceeds, in the case of a call

option, or is less than, in the case of a put option, the exercise price of the option) at the time the option is exercised. Frequently, rather than taking or making delivery of the underlying instrument through the process of exercising the option, listed options are closed by entering into offsetting purchase or sale transactions that do not result in ownership of the new option. The Account's ability to close out its position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market.

Over-the-counter options are purchased from or sold to securities dealers, financial institutions or counterparties through direct bilateral agreement with the counterparty. In contrast to exchange listed options, that generally have standardized terms and performance mechanics, all the terms of an over-the-counter option, including such terms as method of settlement, term, exercise price, premium, guarantee, and security, are set by negotiation of the parties. Unless the parties provide for it, there is no central clearing or guaranty function in an over-the-counter option. As a result, if the counterparty fails to make or take delivery of the security, currency or other instrument underlying an over-the-counter option it has entered into with the Account or fails to make a cash settlement payment due in accordance with the terms of that option, the Account may lose any anticipated benefit of the transaction.

Passive Foreign Investment Company (PFIC) & Controlled Foreign Corporations (CFC). The Account may invest in securities or other instruments that are, or may be, deemed to be PFIC's & CFC's. Investments in securities or entities deemed as such may create adverse U.S. tax consequences for the Client and the Account. These investments may produce taxable income prior to the receipt of cash relating to such income, and the Client and the Account may be required to take such income into account in determining the Client's or the Account's gross income subject to tax. In addition, all or a portion of any gain realized upon the sale of a CFC may be taxable at ordinary income rates. Further, with respect to gain realized upon the sale of and excess distributions from a PFIC for which an election for current inclusions is not made, such income would be taxable at ordinary income rates and subject to an additional tax equivalent to an interest charge on the deferral of income inclusions from the PFIC.

Unincorporated Business Tax Income (UBTI). The Account may invest in securities or other instruments that generate UBTI. UBTI is income earned by a tax-exempt entity, such as an IRA, that is not related to the exempt purpose of the tax-exempt entity. The exempt purpose of an IRA, for example, is to provide for the retirement of the IRA holder. In some instances, commonly Limited Partnerships (LPs) and Master Limited Partnerships (MLPs), UBTI may be generated. When an IRA is invested in an entity that generates UBTI, such UBTI is not considered within the exempt purpose of the IRA. Because an IRA is an exempt entity separate from the beneficial owner of the IRA, it can be subject to taxation on its own. Should the Account have investments in securities or partnerships and the like that are deemed to have produced UBTI, the Account may be burdened with unexpected taxes and additional tax filing requirements.

The above "Risks" should **NOT** be considered exhaustive.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to a current, or prospective, Client's evaluation of DCM and each investment advisor representative providing investment advice to Client.

Neither DCM, nor any of its employees (Gregory DeFelice), have ever had, and currently do not have, material facts regarding legal or disciplinary actions to report.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As a registered investment advisor, we are required to disclose when we or our principal have any other financial industry affiliations.

Neither DCM, nor our principal, has outside business affiliations in the financial industry.

We may refer Client to Third Party Advisors (TPAs). We receive compensation from the TPAs if Client establishes and maintains a relationship with a TPA. We may have a conflict of interest if we refer Clients to a TPA who charges Client, and therefore pays DCM, higher fees than another TPA (who may pay lower fees to DCM).

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

11.A: Code of Ethics:

We have adopted a set of enforceable guidelines (Code of Ethics) that describes what constitutes unacceptable conduct by DCM and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before Client's;
- using non-public information gathered when providing services to Client for our own gains;
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

11.B: Personal Trading for Associated Persons:

We may buy or sell some of the same securities for Client Accounts that we already hold in our personal account(s). We may also buy for our personal account(s) some of the same securities that a Client may already hold in its/his/her/their Account(s). It is our policy not to permit our account, or those of associated persons, to trade in a way that takes advantage of price movements that DCM believes could negatively affect the value received by Clients when executing Client transactions.

We may restrict trading for a particular security for our account(s), or those of our associated person(s), if there is a pending trade in that security in a Client Account and we conclude such trading would have a negative effect on value received by a Client Account. Trades for our account(s), and those of our associated persons, may be placed as part of a block trade with Client trades, or individually immediately after Client trades have been completed. Additional information about block trades is provided in the “Item 12.D: – Aggregation of Orders”. When our trades are placed immediately after trades made by us on behalf of Client Account(s), we may receive a better or worse price than that received by the Client Account(s).

*Please note: Sometimes, trades for a particular security for our account(s), or those of our associated person(s), or those for some Client Account(s), may be made on the same day, and before, trades in other Client Account(s) but never when we believe doing so would affect the price of the security after our purchase, such as when the security is very thinly traded (i.e. has low trading volume as compared to the number of shares wished to be purchased or sold). Depending on what is held in any given Client Account, we may make trades at different times on the same day because, for example, what is being sold in the Client Account to purchase the security in question may have risen later in the day and thus become attractive for sale to provide funds to purchase the security that was already purchased in our account(s), or those of our associated person(s), or those for other Client Account(s) earlier in the day. Again, though, in securities that are thinly traded or in securities where we otherwise believe what is purchased “earlier in the day” may have an effect on the price of the security “later in the same day”, this will not be done.

DCM and its associated persons may purchase or sell specific securities for its and / or their own account(s) based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for any, or all, Client Accounts.

All persons employed by DCM report all personal securities transactions to us no less frequently than quarterly.

11.C: Buying From or Selling to Client Accounts:

Neither DCM, nor its associated persons, is permitted to buy any security directly from, or sell any security directly to, any Client Account.

ITEM 12: BROKERAGE PRACTICES

12.A: Selection of Brokers & Soft Dollars:

Selection of Brokers:

In selecting, or recommending, broker-dealers to execute portfolio transactions, we make a good faith judgment. We take into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation):

- the execution capabilities of the broker-dealer;
- custodial and other services provided by the broker-dealer, if it also acts as a custodial broker-dealer, that are expected to enhance our general portfolio management capabilities and / or reduce expenses incurred by the Account;
- the size of the transaction;
- the difficulty of execution;
- the operational facilities of the broker-dealers involved;
- the risk in positioning a block of securities, and
- **perhaps most importantly**, the past experience with a particular broker-dealer or its employees.

When we select the broker-dealer for a transaction, we may cause Client to pay a higher commission for effecting a transaction than another broker-dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the services provided by the broker-dealer, particularly if it also acts as a custodial broker-dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities to Client.

Depending on the needs, or requirements, of prospective or existing Clients, we generally recommend certain broker-dealers, custodial broker-dealers or custodians with whom we have previously worked and have established trust and relationships. Generally, we would suggest prospective Clients consider these institutions for brokerage and custodial services. However, we remain open to permitting Clients to use another custodial broker-dealer or custodian on a case by case basis. If Client and DCM cannot (or do not) settle on a mutually agreeable custodial broker-dealer or custodian, DCM will not agree to manage (or, as applicable, will cease management of) the Account. In any event, if DCM's recommended custodial broker-dealers or custodians are accepted by Client, DCM does not and cannot guarantee it will achieve the most favorable execution of Client transactions or achieve the lowest costs for the Account for broker-dealer or custodial services.

Conversely, if Client chooses its own custodial broker-dealer or custodian (and DCM agrees to accept the custodial broker-dealer or custodian), the Account may pay more than it otherwise would for

executing trades, or receiving the services provided by a custodian, than if Client chooses to use DCM's recommendations. For example, in such instances, it is possible that such an Account would be unable to participate in block trades as described below in "Item 12.D: – Aggregation of Client Orders".

In any event, since DCM does not receive any portion of the commissions, custodial fees (if any), or any other fees (if any) paid to any broker-dealer, custodial broker-dealer, or custodian, by any Account, DCM believes that when it chooses the broker-dealer, custodial broker-dealer, or custodian, the interests of Client and DCM are aligned because DCM's fee is based on the value of the Account.

Soft Dollars:

We do not receive soft dollar benefits and do not direct brokerage transactions in order to obtain any soft dollar benefits; however, certain broker-dealers, custodial broker-dealers, or custodians, may make available to us other products and services such as trade execution software, investment research, pricing information, market data, recordkeeping, publications, and conferences. In such circumstances, these types of services are available to all retail and professional clients of the brokers or custodians on an unsolicited basis.

DCM does not direct brokerage transactions, or engage in custodial relationships, in order to receive any benefits, respectively, from broker-dealers, custodial broker-dealers, or custodians.

12.B: Brokerage for Client Referrals:

In selecting broker-dealers, custodial broker-dealers, and custodians we use (or recommend), we do not consider whether such broker-dealer, custodial broker-dealer, or custodian, makes, or may make, referrals to us for prospective Clients.

We have not established (or otherwise contracted or memorialized) relationships with broker-dealers, custodial broker-dealers, or custodians to provide us Client referrals.

12.C: Directed Brokerage:

DCM does not permit Clients to select, at the sole direction and sole discretion of such Client, broker-dealers to which DCM would be required to direct some, or all trades, for a Client Account.

12.D: Aggregation of Client Orders:

There are occasions when portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for another Client or one or more of our associated persons.

We may choose to block (aggregate) trades for Client Accounts with those of other Client Accounts and personal accounts of persons associated with DCM. When we place a block trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging the price of all of the shares traded. Due to the averaging of price over all of the participating Accounts and personal accounts, and accounts of associated persons, aggregated trades could be either advantageous or disadvantageous.

Commission costs are not averaged. Each Account and personal account, and any account of an associated person, will pay a minimum commission whether Client trade is placed as part of a block or on an individual basis.

We aggregate when possible, circumstances and Account responsibilities permitting, so that commissions are as low as possible while at the same time maximizing the price that securities are purchased and sold.

ITEM 13: REVIEW OF ACCOUNTS

13.A: Investment Management:

DCM **reviews Accounts continuously**. Accounts are managed on a continuous basis by Gregory DeFelice and only Gregory DeFelice. DCM communicates – or will attempt to communicate – with Account holders no less frequently than yearly but as often as the Client reasonably desires. In addition, Client(s) is made explicitly aware that Client is welcome to contact DCM at any time to discuss its/his/her/their Account(s) and Client is expressly instructed, and agrees, to contact DCM whenever, and as soon as, there is a material change in its/his/her/their financial circumstances or risk tolerance.

If an Account has performance reporting associated with it, performance is reported annually and in a written format.

In the past, DCM has written an annual letter. DCM may continue this practice in the future. If, and on occasion when, this practice is employed in the future, this document is a general communique and sent to existing, and advertised to prospective, Clients, as decided.

13.B: Financial Planning:

DCM will create, and share with Client, a written spreadsheet that tracks holdings and financial accounts and net worth that is updated based on Client input, no less frequently than annually and as frequently as quarterly, if desired.

DCM will review with Client its/his/her/their progress no less frequently than annually and, if desired by Client, as frequently as quarterly. And, on an annual basis, DCM will update and discuss the broader financial plan with Client.

Client is expressly instructed, and agrees, to contact DCM whenever, and as soon as, there is a material change that relates to a Financial Plan managed by DCM.

In the past, DCM has written an annual letter. DCM may continue this practice in the future. . If, and on occasion when, this practice is employed in the future, this document is a general communique and sent to existing, and advertised to prospective, Clients, as decided.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We currently do not engage in referral relationships with vendors and/or unaffiliated third-party custodians that provide services that may include custody of securities, trade execution, and clearance and settlement of transactions.

We currently do not engage solicitors for investor referrals.

ITEM 15: CUSTODY

We are deemed to have “custody of Client funds and securities” solely due to our ability to deduct management fees from Client Accounts.

We do not, and will not, take physical custody of Client funds and will not assign or transfer trading authorization to another advisor. No less frequently than **quarterly**, Clients will receive statements directly from the custodial broker-dealer, or custodian, holding their funds and securities. Clients will receive statements from the custodial broker-dealer, or custodian, holding their funds and securities no less frequently than monthly in the reporting period following the deduction of management fees or after other significant activity in the Account(s). Such statements will indicate the amount of advisory fees deducted from Client Account(s) and paid to DCM. These statements should be carefully reviewed by the Client for accuracy.

*Please note: “Item 5: – Fees and Compensation” has additional information regarding the deduction of management fees directly from Client Account(s).

ITEM 16: INVESTMENT DISCRETION

As one of the conditions of managing an Account, Client is required to provide discretionary authority for DCM to manage its/his/her/their assets. Discretionary authority means that Client is giving us a limited power of attorney to place trades on behalf of the Account. Other than deducting advisory fees, as described in detail in “Item 5: – Fees and Compensation”, this limited power of attorney does not allow us to withdraw money or securities or anything else from Client Account(s).

Of course, with prior written approval of Client, we will assist Client in transferring an Account, or some assets of an Account, to another custodial broker-dealer, or custodian, if Client wishes to do so.

Client grants DCM discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on Client’s behalf for the Account(s). Any limitations to the trading authorization will be added to this agreement;

- Provide DCM with discretionary authority on the new Account forms that are submitted to the broker, the custodial broker-dealer, and / or the custodian, that provides trading services and / or otherwise also acts solely as custodian for Client's Account(s).

To date, no limits have been placed on our discretionary trading authority. All Clients retain control over its/his/her/their Account(s) and management by DCM can be terminated by Client(s) with fourteen (14) days' written notice and, in any event, Client can immediately prohibit DCM from further accessing any Account held at any custodial broker-dealer, or custodian, by notifying its/his/her/their custodial broker-dealer, or custodian, directly.

ITEM 17: VOTING CLIENT SECURITIES

We do not accept the authority to vote proxies behalf of Client or its/his/her/their Account and we do not provide guidance regarding how to vote proxies. Client will receive proxies and other related paperwork directly from the custodial broker-dealer, or custodian, holding the Account(s).

However, if Client desires to have guidance on how Client might want to vote, Client is free to contact DCM with questions. In such circumstances, DCM may make a suggestion that it believes is in the best interests of Client. To the extent DCM perceives a conflict of interest between DCM's interest in the vote and the interest of the Client; such interest will be disclosed and described in writing. To date, this circumstance has never arisen.

ITEM 18: FINANCIAL INFORMATION

We do not charge or solicit pre-payment in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to Clients.

Importantly, because fees are never charged in advance but only in arrears, contractual obligations to Clients are filled before payment is received.