

BDFS Capital LLC

Firm Brochure - Form ADV Part 2A

This brochure provides information about the qualifications and business practices of BDFS Capital LLC. If you have any questions about the contents of this brochure, please contact us at (302) 265-2236 or by email at: jeff@bdfsmail.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 BDFS Capital LLC is also available on the SEC's website at www.adviserinfo.sec.gov. BDFS Capital LLC's CRD number is: 287680.

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

Version Date: 05/07/2021

Item 2: Material Changes

The material changes in this brochure from the last annual updating amendment of BDFS Capital LLC on January 26, 2021 are described below. Material changes relate to BDFS Capital LLC's policies, practices or conflicts of interests.

- BDFS has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.
- BDFS has updated their contact information (front page).

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Item 4: Advisory Business

A. Description of the Advisory Firm

BDFS Capital LLC (hereinafter “BDFS”) is a Limited Liability Company organized in the State of Delaware. The firm was formed in February 2017, and the principal owner is Black Diamond Financial Solutions Inc.

B. Types of Advisory Services

Selection of Other Advisers

BDFS may direct clients to third-party investment advisers. Before selecting other advisers for clients, BDFS will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where BDFS is recommending the adviser to clients.

Portfolio Management Services.

BDFS offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. BDFS 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. Portfolio management services include, but are not limited to, the following:

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

BDFS evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

BDFS seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of BDFS’s economic, investment or other financial interests. To meet its fiduciary obligations, BDFS attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and, accordingly, BDFS’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is BDFS’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent that might have a limited supply, among its clients on a fair and equitable basis over time.

Financial Planning

BDFS offers financial planning services which may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; Estate Planning and debt/credit planning.

BDFS generally provides portfolio management services on a wrap fee basis. BDFS also can provide portfolio management services on a negotiated annual flat fee, paid in monthly installments, according to the terms of the Investment Advisory Agreement." Please see our separate wrap fee brochure (Brochure Supplement, Part 2A - Appendix 1) for more information.

Services Limited to Specific Types of Investments

BDFS generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), equities, private equity funds, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, commodities, non-U.S. securities, venture capital funds and private placements. BDFS may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

BDFS offers the same suite of services to all of its clients. However, specific client investment strategies 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). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent BDFS from properly servicing the client account, or if the restrictions would require BDFS to deviate from its standard suite of services, BDFS reserves the right to end the relationship.

D. Wrap Fee Programs

BDFS acts as portfolio manager for and sponsor of a wrap fee program, which is an investment program where the client pays one stated fee that includes management fees and transaction fees. However, this brochure describes BDFS's non-wrap fee advisory services; clients utilizing BDFS's wrap fee portfolio management services should see our separate Wrap Fee Program Brochure.

E. Assets Under Management

BDFS has the following assets under management:

| Discretionary Amounts: | Non-discretionary Amounts: | Date Calculated: |
|------------------------|----------------------------|------------------|
| \$ 112,725,325.00 | \$ 4,480,227.00 | December 2020 |

Item 5: Fees and Compensation

A. Fee Schedule

Selection of Other Advisers Fees

BDFS may direct clients to third-party investment advisers. BDFS will be compensated via a fee share from the advisers to which it directs those clients. The fees shared are negotiable and will not exceed any limit imposed by any regulatory agency. The notice of termination requirement and payment of fees for third-party investment advisers will depend on the specific third-party adviser selected.

BDFS may specifically direct clients to Betterment, Inc. The annual fee schedule is as follows:

| Total Assets | BDFS's Fee | Betterment's Fee | Total Fee |
|---------------------------|------------|------------------|-----------|
| \$1 – \$99,999 | 1.25% | 0.25% | 1.50% |
| \$100,000 - \$249,999 | 1.00% | 0.25% | 1.25% |
| \$250,000 - \$999,999 | 0.75% | 0.25% | 1.00% |
| \$1,000,000 - \$2,499,999 | 0.65% | 0.25% | 0.90% |
| \$2,500,000 - \$4,999,999 | 0.60% | 0.15% | 0.75% |
| \$5,000,000 and Up | 0.35% | 0.15% | 0.50% |

Portfolio Management Services Fees

The fee will be a negotiated annual flat fee paid in monthly installments according to the terms of the investment advisory agreement.

Financial Planning Fees

Fixed Fees

The rate for creating client financial plans is between \$500 and \$5,000. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are withdrawn directly from client account with client written authorization.

Hourly Fees

The negotiated hourly fee for these services is between \$100 and \$250.

Clients may terminate the agreement without penalty, for full refund of BDFS's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may

terminate the Financial Planning Agreement generally upon written notice.

B. Payment of Fees

Payment of Selection of Other Advisers Fees

Fees are paid quarterly in arrears.

Fees for selection of Betterment, Inc. as third-party adviser are withdrawn by Betterment, Inc. directly from client accounts. BDFS then receives its portion of the fees from Betterment, Inc.; BDFS does not directly deduct the advisory fees.

Payment of Portfolio Management Fees

The annual flat fee will be paid in monthly installments.

Payment of Financial Planning Fees

Financial planning fees are paid via check, cash, wire, credit card or ACH.

Fixed financial planning fees are collected in advance. Unearned fees if the agreement is terminated before completion will be refunded on a prorated basis for the amount of work completed at the point of termination.

Hourly fees are charged in advance, the lesser of \$500 or one-half of the fee estimate, and the balance upon completion. Unearned fees if the agreement is terminated before completion will be refunded on a prorated basis for the amount of work completed at the time of termination.

C. Client Responsibility For Third Party Fees

Clients not participating in our wrap fee program are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by BDFS. Please see Item 12 of this brochure regarding broker-dealer/custodian.

D. Prepayment of Fees

BDFS collects financial planning fees in advance. Refunds for fees paid in advance will be returned within fourteen days to the client via check, or return deposit back into the client's account.

E. Outside Compensation For the Sale of Securities to Clients

Supervised persons of BDFS are registered representatives of a broker-dealer and are also licensed insurance agents. In these roles, they accept compensation for the sale of investment products to BDFS clients.

1. This is a Conflict of Interest

When acting in their separate capacity as registered broker-dealer representatives or insurance agents, supervised persons receive commissions or other compensation for the sale of investment products, including asset based sales charges or service fees from the sale of mutual funds to BDFS's clients although will not receive such compensation in advisory client accounts. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of investment products for which the supervised persons receives compensation, BDFS will document the conflict of interest in the client file and inform the client of the conflict of interest.

2. Clients Have the Option to Purchase Recommended Products From Other Brokers

Clients always have the option to purchase BDFS products recommended by supervised persons through other brokers or agents that are not affiliated with BDFS.

3. Commissions are not BDFS's primary source of compensation for advisory services

BDFS does not receive any commissions or other compensation for the sale of investment products to advisory clients.

4. Advisory Fees in Addition to Commissions or Markups

BDFS does not reduce its advisory fees to offset any commissions its supervised persons receive on the sale of investment products to advisory clients.

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

BDFS 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

BDFS generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Charitable Organizations
- ❖ Qualified Retirement Plans
- ❖ Corporations
- ❖ Trusts

There is no account minimum for any of BDFS's services.

Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss

A. Methods of Analysis and Investment Strategies

Methods of Analysis

BDFS's methods of analysis include Cyclical analysis, Fundamental analysis, Modern portfolio theory, Quantitative analysis and Technical analysis.

Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

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

Modern portfolio theory is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

Quantitative analysis deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

Technical analysis involves the analysis of past market data; primarily price and volume.

Investment Strategies

BDFS 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

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two- fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

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.

Modern portfolio theory assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

Quantitative analysis Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

Investment Strategies

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 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, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

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

C. Risks of Specific Securities Utilized

Clients should be aware that there is a material risk of loss using any investment strategy. 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. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

Equity investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked 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. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

Exchange Traded Funds (ETFs): An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

Real estate funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same

or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

Private equity funds carry certain risks. Capital calls will be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

Private placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

Venture capital funds invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development.

Commodities are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

Non-U.S. securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

Past performance is not indicative of future results. 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

Supervised persons of BDFS are registered representatives of M.S. Howells & Co, a broker-dealer firm.

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

Neither BDFS nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

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

As registered representatives of a broker-dealer firm, supervised persons of BDFS may, from time to time, offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation to the supervised person and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. BDFS always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of BDFS in such individual's capacity as a registered representative.

BDFS is affiliated with BDFS Insurance Services, a licensed insurance agency and supervised persons of BDFS are licensed insurance agents. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation to BDFS Insurance Services and the supervised persons and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. BDFS always acts in the best interest of the client; including with respect to the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any affiliated entity of BDFS or any representative of BDFS in connection with such individual's activities outside of BDFS.

Only Kenneth Reese is licensed to sell insurance products in Pennsylvania.

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

BDFS may direct clients to third-party investment advisers. BDFS will be compensated via a fee share from the advisers to which it directs those clients. The fees shared will not exceed

any limit imposed by any regulatory agency. This creates a conflict of interest in that BDFS has an incentive to direct clients to the third-party investment advisers that provide BDFS with a larger fee split. BDFS will always act in the best interests of the client, including when determining which third party investment adviser to recommend to clients. BDFS will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where BDFS is recommending the adviser to clients.

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

A. Code of Ethics

BDFS has 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. BDFS's Code of Ethics is available free upon request to any client or prospective client.

B. Recommendations Involving Material Financial Interests

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

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of BDFS may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of BDFS 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. BDFS will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage 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 BDFS may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of BDFS 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; however, BDFS will never engage in trading that operates to the client's disadvantage if representatives of BDFS buy or sell securities at or around the same time as clients.

Item 12: Brokerage Practices

BDFS only recommends broker-dealers to clients in its wrap fee program.

For portfolio management clients not in its wrap fee program, BDFS permits clients to direct brokerage. When a client directs brokerage, we may be unable to achieve best execution and directing brokerage may cost clients more money as we will not be able to aggregate orders to reduce transaction costs.

Item 13: Review of Accounts

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

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Jeffrey Puglia, President and Mark Nehra the Chief Compliance Officer. Financial planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee. Portfolio management accounts are reviewed at least quarterly by Mr. Puglia and Mr. Nehra.

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

With respect to financial plans, BDFS's services will generally conclude upon delivery of the financial plan. Reviews of portfolio management accounts 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 financial planning client will receive the financial plan upon completion. Each portfolio management 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.

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)

BDFS receives compensation from third-party advisers to which it directs clients.

B. Compensation to Non – Advisory Personnel for Client Referrals

BDFS does not directly or indirectly compensate any person for client referrals.

Item 15: Custody

BDFS is considered to have custody when it directs the custodian of a client's account to withdraw its fee from the client's account. Clients will receive account statements from the custodian and should carefully review those statements. In these cases, BDFS will:

- (A) possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian.
- (B) send the qualified custodian written notice of the amount of the fee to be deducted from the client's account and verify that the qualified custodian sends statements to the client at least quarterly.
- (C) when required by a state, send the client a written invoice itemizing the fee upon or prior to fee deduction, including the formula used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based.

Item 16: Investment Discretion

BDFS accepts discretionary authority according to the terms of the Investment Advisory Agreement.

Item 17: Voting Client Securities (Proxy Voting)

BDFS does not accept proxy voting authority.

Item 18: Financial Information

A. Balance Sheet

BDFS neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

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

BDFS Capital LLC applied and received a Payroll Protection Program (PPP) loan in the amount of \$80,600 to cover the salaries of employees who provide advisory services to clients and administrative services for the firm and for other covered expenses under the guidelines of the PPP. BDFS Capital is not experiencing any conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients.

C. Bankruptcy Petitions in Previous Ten Years

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