

**Item 1 – Cover Page**



**Form ADV Part 2A Brochure  
August 15, 2021**

**Core Management II Corporation  
dba**

**Core Capital Partners**

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This Brochure provides information about the qualifications and business practices of Core Management II Corporation, doing business as Core Capital Partners (“Core Capital”). If you have any questions about the contents of this Brochure, please contact us at (202) 589-0090. Currently, our Brochure may be requested free of charge by contacting our Chief Compliance Officer at (202) 589-0090.

Core Capital is a registered investment adviser. Registration does not imply any certain level of skill or training. 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 Core Capital also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

In Item 2, advisers who are filing an annual updating amendment that contains material changes must identify and discuss those changes and provide dates of each annual brochure.

Core Capital's last annual brochure was filed on March 30, 2021 (its first annual brochure was filed on March 30, 2020). There are no material changes to report in this Brochure since the last annual filing. However, this Brochure has been updated for continued transparency and disclosure, as follows:

Item 4 has been updated to reflect that the Core Capital advised funds generally are in the harvesting and liquidating stage

Item 8 has been updated to provide more information on Core Capital's strategy and overall management, including if and when Core Capital may advance funds to meet an investment commitment, such as a follow-on investment in an existing portfolio company, where the capital call cannot be processed within the time constraints and other circumstances; and to explain that this can create a conflict of interest between Core Capital and the client fund, for example, if an investor(s) fails to then meet its capital call contractual requirements. Additionally, this Item discloses that Core Capital will establish a credit facility for Client Funds, where relevant, with an unaffiliated financial entity(ies) as it deems appropriate.

Item 10 similarly references the possibility of the cash advances as described in Item 8.

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#### **Item 4 – Advisory Business**

Core Management II Corporation, doing business as Core Capital (“Core Capital”), organized in and providing advisory services since 1999, generally as a venture capital fund adviser, is principally owned by William Dunbar and Mark Levine. Core Capital first registered with the Securities and Exchange Commission in July 2019.

Core Capital provides investment advisory services to pooled investment vehicles (the “Funds”). In general, Core Capital is managing the harvesting and liquidating stages for the Funds through exit strategies coordinated in the best interest of the Funds. Core Capital is not making new investments in new portfolio companies. The below paragraphs, however, describe Core Capital’s general investment approach. Please see Item 8 for more information on Core Capital’s investment strategies and associated risks.

Core Capital, as the adviser, coordinates with the general partner or managing member of each Fund, which are comprised of related persons to Core Capital; for simplicity, unless otherwise indicated, this Brochure references Core Capital throughout. For more information on the general partners and managing members, please see Item 10 of this Brochure.

Core Capital focuses on private, early stage, venture capital investments, with a focus on companies based in the broader Mid-Atlantic area, and which are in enterprise software, cloud management, e-commerce and payments, data analytics mobility and software security. Investments are non-controlling, and Core Capital typically invests alongside other investment funds. Core Capital provides investment advice directly to the Funds, and not to the individual investors within those Funds; and provides the advice pursuant to each Fund’s respective governing documents. Before investing in any Fund, investors must read the respective governing documents for more information about each Fund. All material terms are generally established at the time of the Fund formation, and investors generally cannot impose additional restrictions on the Fund. However, Core Capital, on behalf of the Fund, has entered into side letters with some investors, generally for additional reporting and additional representations and warranties. Please see Item 8 of this Brochure for more information on Core Capital’s strategy and the associated risks.

As of December 31, 2020, Core Capital managed \$288,521,255 on a discretionary basis. Core Capital does not manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Each Fund's governing documents set forth in further detail that Fund's fee and expense structure; investors should consult the governing documents for further information on fees and expenses.

Core Capital receives compensation from management fees and carried interest allocations. All fees are subject to negotiation, with terms established with fund closing and subscription. As noted above, some investors have entered into side letters that modify or supplement governing document terms, but currently not compensation-related terms.

*Management Fees:* The management fee from each Fund is payable quarterly in advance, and Core Capital deducts such fees from the applicable Fund account. Core Capital reserves the right to waive or reduce the management fees for each Fund. In the unlikely event (due to the private fund industry structure) the advisory contract is terminated before the end of the billing period, any prepaid and unearned management fee would be refunded pro rata. Any accounts that currently use leverage do not pay the management fee on the leveraged amount.

Although the exact fee varies from Fund to Fund, all investors other than the general partner pay management fees. Information on the Funds is further disclosed in Form ADV Part 1A, Schedule D. Within the Fund II family, the master and feeder each have their own fee structure, but without duplication. Currently, the feeder does not pay management fees, as the master does, and the feeder does not need to pay any difference; the master currently pays .5% quarterly rate (2% annual) on the aggregate fair market value of all portfolio investments, but never greater than \$562,500 per quarter and no less than \$375,000 per quarter. Core Capital TB SPV does not pay management fees. Core Capital Partners Fund II, L.P. now pays an annual management fee of 1% of the purchase price of all portfolio investments held by the Fund as of the date immediately preceding the twelve-month period, except for those portfolio investments that have been written off. Fund III currently pays 1.5% annually of aggregate capital commitments, and will do so until the original dissolution date, as defined in the fund document, at which time and until liquidation, the annual management fee will be 1% of the aggregate purchase price of the Fund's remaining portfolio investments.

Investors admitted to, or investors increasing their capital commitment in the same vehicle at subsequent closings pay/paid their share of management fees and expenses called to date, plus interest.

*Carried Interest Allocation:* please see below in Item 6.

*Other Fees:* Core Capital currently does not receive fees or other compensation from portfolio companies such as commitment fees, transaction fees, monitoring fees, director fees, success fees, consulting fees, or similar fees. Core Capital is entitled to receive such fees, per the governing documents, but to date has not taken any such fees. If Core Capital were to take such fees, there would be offset and reduction calculations; for example, for Fund III, the fees received would offset 100% any transaction fees and then reduce the management fee (but not to less than zero), per the governing document.

Additionally, portfolio companies on occasion compensate a Core Capital's related person's company for chief financial officer services; this compensation is negotiated, approved by the board of the portfolio company, and portfolio companies are not obligated to use these services. This service fee does not offset or reduce any management fee or other fee payable to Core Capital.

*Senior Executives:* Core Capital may introduce Senior Executives to the portfolio companies to serve as Chair or other board position; any compensation is not Core Capital compensation, and the engagement is between the Senior Executive and the portfolio company.

*Other Charges to the Funds:* In addition to the above, Funds and therefore investors are charged, or must reimburse Core Capital for, other fees and expenses. These additional fees and expenses include for example, but are not limited to, investment banking and private placement expenses, brokerage commissions, custodial fees, electronic fund fees, organizational expenses, taxes, legal fees, audit fees, accounting fees, administrator fees, professional fees, and insurance costs.

Core Capital pays for expenses associated with its research and due diligence of potential portfolio companies. The governing documents generally state that the Fund is responsible for fees for consulting services related to specific portfolio investments or prospective portfolio investments; travel expenses related to specific companies related to investment or potential investments; and expenses incurred in connection with prospective portfolio investments that are not consummated. However, to date, Core Capital typically has paid for these expenses. Core Capital can and does get reimbursed by the Fund for third party costs, such as background check costs, professional/ due diligence experts, and legal fees.

Although the Funds generally do not use broker-dealers due to the private investment nature of the investments, please see Item 12 of this Brochure for more information on brokerage.

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

Core Capital can receive a carried allocation (performance-based fees). The fee typically is subject to clawback; however, Core Capital does not currently receive the performance-based fee distribution from any Fund. Generally, if and when Core Capital were to take a performance fee, 20% of the investment profits of a Fund would be allocated as carried interest to Core Capital (or as referenced, the general partner or managing member) and 80% to the investors, following 100% return of capital commitments to investors plus in one instance a preferred return, in another instance an IRR Target amount is incorporated, and in some instances an investor clawback would be utilized.

Because a portion of compensation paid to Core Capital will be based on profits generated by the sale or disposition of the Fund's assets, Core Capital is said to have an incentive to make investments on behalf of the Fund that are riskier or more speculative than would be the case absent such compensation. Further, if and where Funds differ in their calculation of carried interest, Core Capital has an incentive to favor one Fund over another. However, Core Capital manages each Fund in accordance with the governing documents and has investment policies and procedures that address investment allocations and the mitigation of conflicts of interest.

## **Item 7 – Types of Clients**

As stated in Item 4, Core Capital provides investment advisory services to the Funds, which are its clients, and not to the investors within those Funds.

Investors within the Funds must meet eligibility requirements, including financial thresholds. Investors include but are not limited to: high net worth individuals, family offices, pension funds, insurance companies, and banking institutions.

The Funds are not currently accepting new investors; however, in the future, generally, funds (none are expected) likely will require a minimum commitment of \$250,000.

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

Investing in securities involves risk of loss that clients (investors) must be prepared to bear.

As referenced in Item 4 of this Brochure, Core Capital invests in seed, early and growth stage companies. Although the companies are primarily based in the eastern portion of the United States, Core Capital also considers opportunities nationwide. Core Capital generally seeks to

be the lead investor and Core Capital's related persons (management employees) generally will be active members of the portfolio company's board, although the Core Capital Funds typically have a non-controlling interest. Core Capital focuses on technologies enabling or enhancing data management, protection and communication, mobility, security, and payments. In short, Core Capital's strategy is to capitalize on the opportunities created by long-term and disruptive trends in information technology. Currently, initial investments are typically in the \$250 thousand to \$2 million range, with generally \$1 million to \$4 million over the life of the investment. Core Capital seeks to invest alongside other, non-affiliated funds as part of the overall investment strategy for the success of the portfolio company and the Core Capital Fund. This philosophy is driven by Core Capital's desire to hedge investment risk, diversify its invested capital, and provide greater resources to each portfolio company.

Regarding strategy, weightings, constraints, and other factors, Core Capital routinely monitors investments, uncalled capital amounts, reserves, expenses, the market, achievement milestones, the investment thesis, available liquidity, and cash burn rates. The strategy is generally early or seed investing; however, this can be driven by available capital and the Firm has invested in later stage companies. Overall, the "stage" is less important than the investment thesis and the verticals (enterprise software, data analytics, software security, network management, and the like), which Core Capital regularly monitors.

Core Capital does not make use of derivatives or short-term trading positions.

Core Capital generally does not use lines of credit from banks or other credit facilities for working capital or capital calls; however, see below for current exceptions. If permitted under respective limited partnership agreements, Core Capital will avail itself of leverage for the Funds. Core Capital may, and has in the past, advanced funds from the Core Capital account to a Fund to meet an investment commitment, such as for a follow-on financing round for an existing portfolio company, for example where the capital call cannot be processed within the time parameters and where it is in the best interests of the Fund. Any such advance is not a routine practice. Such advance would be, and in the past has been, interest-free and timely reimbursed following the capital call and with the funds received from the capital call. The advance puts Core Capital in a creditor position to the Fund, which could be or could become a conflict of interest should for example a limited partner(s) fail to meet the expected capital call contractual requirements. This is a risk. In such scenario, in addition to coordination with the limited partner(s), Core Capital would continue to work in the best interest of the Fund and maintain the interest-free loan on behalf of the Fund when the Fund has sufficient capital, for example with resolution and reimbursement at the next liquidity event for the Fund (such as the sale of a portfolio company) or when working capital otherwise becomes sufficient. Core Capital will report to limited partners on any such advance and reimbursement. As an alternative to these cash advances, and at a cost borne



by the applicable Fund, Core Capital will establish a credit facility for a Fund(s), where relevant and appropriate, for example where the Fund could have an opportunity to participate in a follow-on investment for an existing portfolio company,

As stated, although Core Capital seeks to capitalize on opportunities and trends with its long-term strategy and sector focus, investments may not be profitable, and all investors bear the risk of loss, including to the invested capital. Investors must be sophisticated, able to bear the loss, and must read and understand all relevant documentation before investing in any Fund. There is no guarantee that any past results can be replicated; any past successful performance cannot be relied upon to indicate future performance. Some of the specific risks associated with Core Capital investments are described below:

Illiquid investments: our investments are illiquid, long-term, and generally not transferable.

Venture Capital risks, generally: Venture Capital investments present their own risks associated with investing in companies at an early-stage of development with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Susceptible exits: Exit strategies may be heavily and negatively influenced by a variety of factors beyond the control of Core Capital, including for example, industry developments, changes in the political environment and/or regulatory environment, interest rate fluctuations, public markets movements and sentiments, and similar events.

Limited diversification: Each Fund's investments are generally in emerging and disruptive technologies. As such, the entire portfolio may be more vulnerable than if the Fund's investments were more diversified in a variety of sectors. Additionally, the aggregate return of a Fund may be more substantially and negatively affected by the poor performance of a single investment.

Leverage: Core Capital uses leverage. Therefore, the Fund value may be enhanced, reduced or limited, and the leverage may decrease or enhance the Fund's ability to make additional or follow-on investments or finance future opportunities.

Advancing Funds to Meet Investment Commitments: As described above in this Item, Core Capital can and has advanced funds on a short-term basis from the Core Capital account to the Fund for investment. Such an advance puts Core Capital in a creditor position, which can

be or become a conflict of interest where, for example, a limited partner(s) does not then meet its capital call contractual requirements, which would be used at least in part to reimburse the Core Capital account.

Subjective Evaluations: Fund investments are decided by Core Capital, and often the decisions Core Capital makes are based on individual analysis and subjective processes. The projected valuations may be wrong due to incorrect assumptions and forecasts.

Government Policies: As the role of public policy impacts the areas in which Core Capital seeks to invest, policy decisions can impact the development and stability of Core Capital's chosen markets.

Reliance on Management of Portfolio Companies and Non-Controlling Interests: Core Capital monitors investments, interacts with portfolio companies, and seeks board positions; however, the Funds generally hold non-controlling interests and will rely on the portfolio company management to operate their companies successfully. Portfolio company management is responsible for day-to-day operations of the respective company.

Risks Related to Technology and Cybersecurity: Core Capital and its portfolio companies rely on information technology and similar systems; such technology and systems may become inoperable or disabled due to actions of others not within the control of Core Capital. Physical or electronic break-ins, breaches, hacks, and failures could delay operations, adversely impact the ability to transact including exit the investment, require additional compliance, legal, or other professional assistance, and generally lead to the loss of revenue.

Dependence on the Principals: Funds are depending on the principals of Core Capital, and the loss of one or more of these individuals could have an adverse impact on the business of the Fund(s).

Market Volatility: At various times in the past, volatile market conditions have had a dramatic effect on the value of private investments. In addition, terrorist attacks, and other acts of violence or war, health epidemics or pandemics, natural hazards, and/or force majeure may affect the operations and profitability of a Fund's portfolio companies. Such events also could cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. Any of these occurrences could have a significant impact on the operating results and revenues of a Fund's portfolio companies and, in turn, on the return of a Fund's investments.

As stated elsewhere, each investor must read all documents and understand risks before investing in a Fund.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to client's or prospective client's evaluation of the adviser or its management personnel. Core Capital has no disciplinary information to report.

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

Neither Core Capital nor its management are registered or have an application pending to register as a broker dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or as an associated person of any of the foregoing entities.

Neither Core Capital nor its management have a relationship that creates any material conflict of interest with any of the following: broker-dealer, municipal securities dealer, or government securities dealer or broker; investment company; unit investment trust; other investment adviser or financial planner; futures commission merchant, commodity pool operator, or commodity trading advisor; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; or real estate broker or dealer. Please see Item 8 of this Brochure where Core Capital describes circumstances where Core Capital could advance funds from the Core Capital account to meet the investment commitment of a Fund, for example for a follow-on investment for a portfolio company (where a capital call cannot be processed within the time parameters) and subsequently be reimbursed by the Fund following the capital call. Such arrangement could create a creditor relationship between Core Capital and the Fund, and a conflict of interest should a limited partner(s) then fail to meet the contractual requirements of the capital call.

As referenced elsewhere in this Brochure, and as is common in the private equity and venture fund structures, employees of Core Capital comprise the general partners or managing members of the Funds. Each Fund has such a general partner or managing member, depending on whether the Fund is a partnership or limited liability company. The specific names of each are listed in Form ADV Part 1A, Schedule D, Item 7. Additionally, employees or members of Core Capital may sit on boards of portfolio companies; these positions are not compensated and are part of Core Capital's strategy and management of its investments. Additionally, as first stated in Item 5, an entity whose owner is an employee of Core Capital periodically provides chief financial officer related services to portfolio companies at the request of those portfolio companies; these negotiated engagements are

between the entity and the portfolio company, and the portfolio companies are not obligated to use these services.

Some of the Core Capital Funds had and/or have a relationship with the Small Business Administration. Within the Fund II structure, there originally were two vehicles investing in parallel in the same portfolio companies, one of which was a licensed Small Business Investment Company. That fund has since repaid the SBA per agreement and surrendered its SBIC license.

### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

Core Capital has adopted a Code of Ethics for its supervised persons (“employees”), which mandates a high standard of business conduct and fulfillment of the fiduciary duty to clients. The Code of Ethics includes client confidentiality provisions, insider trading prohibitions, gifts and entertainment restrictions, and personal securities trading procedures, among other things. The Code of Ethics promotes making decisions in the best interest of advisory clients. Employees can invest for their own accounts under certain circumstances and when their transactions will not materially interfere with the best interest of clients.

Employee investments and trading are monitored under the Code of Ethics to reasonably prevent conflicts of interest between clients and employees. All employees acknowledge the terms of the Code of Ethics annually, and as amended. Clients and prospective clients may request a copy of our Code of Ethics by contacting our Chief Compliance Officer at (202) 589-0090.

Core Capital does not have any proprietary managed accounts or funds and therefore does not engage in principal transactions. Employees, related persons, and family members are investors in the Funds, but the applicable amounts do not exceed the threshold to create a proprietary vehicle. As stated, employees and related persons are also members of the general partner or managing member of the Funds, which also invest in the applicable Fund, as typical in the private fund space.

In general, Funds do not engage in cross-transactions; cross-transactions are not part of the current investment strategy; and any such transactions would only occur with appropriate client consent. As referenced in Item 4 of this Brochure, there are four vehicles within the Fund II family, and these invest in the same portfolio companies in accordance with the partnership agreements and as approved by the limited partners and the Small Business Administration.

## **Item 12 – Brokerage Practices**

Given the nature of private venture investing, Core Capital does not generally utilize any brokerage platform or trade on any security exchanges. To the limited extent a Fund transacts in public securities, Core Capital will seek to obtain best execution and will utilize a third-party broker-dealer. Core Capital does not have any brokerage referral relationships.

As stated, Core Capital's employees or related persons may and often do take a board position at the portfolio company. The board may vote on a broker-dealer and makes other decisions regarding the portfolio company. Core Capital may retain legal and banking professionals to assist in a transaction; the services and compensation are negotiated at arms-length.

Core Capital does not receive soft dollars. Core Capital does obtain third party research as part of its investment due diligence but does not pay up for such services.

Generally, only one Fund or one Fund family of Core Capital would actively make initial investments at any one time. Currently, the Fund II family and Fund III are only making follow-on investments to their remaining investments.

## **Item 13 – Review of Accounts**

The Chief Financial Officer and its outside accounting firm regularly reviews Fund bank accounts and holdings. The Chief Financial Officer and the managing partners review the portfolio companies and related content such as each company's management, financial and economic condition, market opportunities, strategic risks and opportunities, industry outlook, and other issues related to holdings such as valuation and trends. Core Capital regularly receives and reviews portfolio company financial statements, generally monthly. The Chief Financial Officer spearheads regular valuation reviews and makes recommendations to the Investment Committee, generally quarterly, and in accordance with Core Capital's valuation policy.

Investors receive annual audited statements, quarterly unaudited statements, and quarterly capital account statements, as well as necessary tax-related information. Core Capital sends to investors a mid-year and year-end Fund and portfolio company update. Core Capital is available to meet with investors, and investors can reach Core Capital's management on a regular basis.

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

Please see Item 5 for the compensation Core Capital and its related persons receive for its advisory and advisory related services. Core Capital has not engaged any solicitor for client referrals. In the past, Core Capital retained a placement agent; the fee was absorbed by the relevant vehicle as part of the closing costs. Core Capital maintains a relationship with a placement agent; fees earned would be part of transaction closing costs paid by the buyer and applicable sellers and disclosed.

#### **Item 15 – Custody**

As a result of the private fund structure, including the relationship with the general partner or managing member of each Fund, Core Capital has custody under the Custody Rule of client funds and securities. Following the private fund audit procedures pursuant to the Custody Rule, investors timely will receive annual audited statements. Additionally, Core Capital sends unaudited statements to investors, generally quarterly. Investors should review and compare all statements received.

#### **Item 16 – Investment Discretion**

Subject to the governing documents of each Fund, Core Capital assumes discretionary authority to determine the types, amounts, and timing of investments to be bought and sold on behalf of the Funds and to perform the day to day operations of the Funds. The authority generally is established during the organization of the Fund. Some investors have negotiated side letters with Core Capital.

#### **Item 17 – Voting Client Securities**

Core Capital Fund investments are primarily invested in privately held portfolio companies that do not issue proxies. However, through the private investment structure, Core Capital's related persons may, and do, serve on the private company's board, which may, and sometimes does, provide for voting authority. Typically, but not always, Core Capital representatives would vote in favor of the board's recommendation. Core Capital and its representatives are aware of the conflict of interest potentially created should the fiduciary duty to the Fund conflict with the fiduciary duty of the board member to the underlying organization. Core Capital believes such conflict is inherently and by operation mitigated

because the purpose of each representation is to maximize the return on the portfolio company investment and, separately, Core Capital and its representatives will monitor the duties of these respective representations.

When Core Capital holds publicly traded securities (such as where a private company has become a public company), where Core Capital has proxy voting authority and a significant interest, Core Capital will vote such proxies in the best interest of the Fund, including consideration of economic benefits and sound governance. However, as stated, due to the private investment strategy of Core Capital, it is not likely that Core Capital will have significant interest. Further, Core Capital can, and does, choose to not vote certain proxies where there is no identifiable impact or benefit to the Fund to vote.

In all situations where Core Capital perceives a conflict of interest, Core Capital's Chief Compliance Officer and management, as appropriate, will review the situation and recommend appropriate action. Core Capital maintains proxy related information, including how Core Capital and its representative have voted, and this information is available for review upon written request to Core Capital by calling (202) 589-0090 and asking for the Chief Compliance Officer.

#### **Item 18 – Financial Information**

This Item is not applicable as Core Capital does not solicit fees more than six (6) months in advance, does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.