

PRATO CAPITAL MANAGEMENT, INC.

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FORM ADV PART 2A
FIRM BROCHURE
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This brochure provides information about the qualifications and business practices of Prato Capital Management. If you have any question about the contents of this brochure, please contact us at (914) 930-6871. 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.

Prato Capital Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Prato Capital Management is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Prato Capital Management CRD number is 289917.

ITEM 2 - MATERIAL CHANGES

We have no material changes to report since our firm's last annual update on January 24, 2020.

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ITEM 4 – ADVISORY BUSINESS

OWNERSHIP/ADVISORY HISTORY

Prato Capital Management, Inc. was founded in August 2014 by Gregory Prato. We are a New York corporation. We became registered as an investment adviser with the Securities and Exchange Commission in September 2017.

ADVISORY SERVICES OFFERED

FINANCIAL PLANNING

We offer financial planning and consulting services to evaluate a client's financial situation, goals and risk tolerance. Through a series of personal interviews and the use of questionnaires we collect pertinent data and identify goals, objectives, financial problems, and potential solutions. With this information, we tailor the client's written financial plan and consulting advice to the client's situation. Our advice may cover any of the following topics: net worth statement; cash flow analysis, tax analysis, and insurance analysis; estate planning techniques; retirement projection; 401k review; or other needs as identified during our meetings with the client. Our advice may be verbal or in a written financial plan. The type of service is stated in the financial planning agreement.

PORTFOLIO MANAGEMENT SERVICES

We offer portfolio management services that involve assisting with the ongoing management of a client's investment accounts. We work with the client to formulate an individualized portfolio based upon his or her objectives, time frame, risk parameters and other investment considerations. Once we have this information, we create an individualized portfolio for the client. We regularly monitor the client's portfolio and adjust it as determined by the stock market and world events.

RETIREMENT PLAN CONSULTING

For retirement plan accounts, we can provide any of the following ERISA non-fiduciary services: Education Services to Plan Committee; Participant Education Services; Plan Search Support; Review of Fiduciary Liability Insurance Coverage; Monitoring of Qualified Fiduciary; or Participant Advice. When requested by the client, we will provide any of the following ERISA non-discretionary fiduciary services (ERISA Section 3(21)): create an Investment Policy Statement; provide Investment Recommendations & Performance Monitoring; or Selection of Qualified Default Investment Alternative. Please note that our ERISA fiduciary services are limited to ERISA Section 3(21) and we do not provide ERISA Section 3(38) fiduciary services.

TAILORED SERVICES

The goals and objectives for each client are documented before any investing takes place. The client may impose restrictions on investing in certain securities or types of securities. The client must present all restrictions in writing.

WRAP PROGRAM

Our portfolio management services are also offered on a wrap fee basis. Please see our Appendix 1 to this Form ADV Part 2A for additional details.

CLIENT ASSETS MANAGED

As of January 20, 2021, we manage \$152,217,450 in client assets on a discretionary basis.

ITEM 5 – FEES AND COMPENSATION

FINANCIAL PLANNING AND CONSULTING SERVICES

Our financial planning services are provided on a fixed or hourly fee basis in accordance with the following fee schedule:

Fixed Fee: The fixed fee range is between \$1,500 and \$10,000. The fixed fee range varies and depends upon the nature and complexity of each client's individual circumstances and the number of topics covered by the service.

Hourly Fee: The hourly rate will not exceed \$500 per hour with a minimum of two hours per engagement. The hourly rate will vary depending on the nature and complexity of each client's individual circumstances and the number of topics covered by the service.

The financial planning fee may be negotiated or waived at our discretion. At the time of engagement, we provide the client with a written estimate of the total fee. We collect one half of the agreed upon fee at the time of engagement and the remaining half upon delivery of the financial plan or consulting service.

PORTFOLIO MANAGEMENT SERVICES

Our management fee is based on a percentage of assets under management, including the assets purchased on margin, in the client's account. The annual management fee is no more than 2.00%. The management fee is negotiable based on the size of the account. The client may aggregate or household accounts to negotiate a lower fee.

Our management fee is billed quarterly, in advance. This means we collect the management fee at the beginning of the quarterly billing period. The management fee will be based on the custodian's reported account value as of the last business day of the prior quarter. The management fee is not adjusted for deposits or withdrawals during the billing period. Accounts established during a calendar quarter will be charged a prorated management fee. The fee will be deducted from the client's account. Cash balances and investments in money market funds held in the account are counted toward the account value and are included in the management fee calculations.

RETIREMENT PLAN CONSULTING

Our retirement plan consulting services are billed as a flat fee or a percentage of plan assets. The total fee is negotiable based on the services provided to the client. Our flat fee varies, but can be up to \$60,000. Our fees based on a percentage of assets in the qualified retirement plan will not exceed 2.00%. We will negotiate with the client how often and when the fee is collected. The

fee may be collected monthly or quarterly, in arrears or in advance. The fee will be either billed to the plan sponsor or deducted from the plan's assets.

OTHER FEES AND EXPENSES

For our non-wrap fee client accounts, our fees do not include brokerage commissions, transaction fees, or other related costs and expenses. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These charges, fees and commissions are exclusive of and in addition to our fee, and we will not receive any portion of these commissions, fees, and costs. For more information about our brokerage practice please see Item 12.A.

Wrap clients do not incur transaction costs for trades. For information about fees for our Wrap Program, please see Item 4: Services, Fees, & Compensation in our Wrap Fee Program Brochure.

TERMINATION OF SERVICES

The client may terminate any service for any reason within the first five (5) business days after signing an advisory contract and receive a 100% refund of any fees paid, without any cost or penalty.

For our financial planning and consulting clients, after the first five (5) business days, the financial planning agreement may be terminated at any time by either party through written notice to the other party. Upon our receipt of a written termination notice, hourly financial planning clients will receive a prorated refund of any unearned fees based on the number of hours completed on the plan or consulting services. Flat fee financial planning clients will receive a prorated refund of any unearned fees based on the percentage of work completed on the plan.

After the first five (5) business days, either party may terminate the portfolio management agreement by giving the other party ten (10) days' written notice of termination. Upon our receipt of written notice of termination, the client will receive a prorated refund based on the amount of time services were rendered during the termination quarter. For example, if there are 90 days in a quarter and the service was cancelled 45 days into the quarter, the client will receive a 50% refund of the quarterly management fee (45 divided by 90 equals 50%). Refunds are paid by depositing the fee back into the account if allowed by the client's custodian. In all other cases refunds are paid by check.

After the first five (5) business days, either party may terminate the retirement plan consulting agreement by providing the other party 30 days' written notice. Clients will be charged for advisory services provided up to the point of termination (determined as 30 days from receipt of the written notice of termination) and the fees for those advisory services will be due and payable.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or perform side by side management.

ITEM 7 – TYPES OF CLIENTS

We offer our services to individuals, high net worth individuals, corporations or other business entities, ERISA Plans, and pension and profit sharing plans. We do not require a minimum account size.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

We create a client's portfolio by using asset allocation. Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon. The asset classes typically include equities, fixed-income, international, and cash and equivalents. The risk associated with asset allocation is that each class has different levels of risk and return, so each will behave differently over time. There is no guarantee that diversification among asset classes will grow a portfolio.

Once the portfolio is created, we manage the portfolio by using a proprietary combination of strategic, dynamic, and tactical asset allocations.

- **Strategic Asset Allocation:** The primary goal of a strategic asset allocation is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Generally, strategic asset allocation strategies do not change their allocation postures relative to changing market or economic conditions.
- **Dynamic Asset Allocation:** Dynamic asset allocation is similar to strategic asset allocation in that portfolios are built by allocating to an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Like strategic allocation strategies, dynamic strategies largely retain exposure to their original asset classes; however, unlike strategic strategies, dynamic asset allocation portfolios will adjust their postures over time relative to changes in the economic environment.
- **Tactical Asset Allocation:** Tactical asset allocation is a strategy in which an investor takes a more active approach that tries to position a portfolio into those assets, sectors, or individual stocks that show the most potential for perceived gains. While an original asset mix is formulated much like strategic and dynamic portfolios, tactical strategies are often traded more actively and are free to move entirely in and out of their core asset classes

As part of our investment strategy we may purchase stocks, mutual funds, or other securities for the client's portfolio with money borrowed from a brokerage account. This allows the client to purchase more stock than he or she would be able to with available cash, and allows us to purchase stock without selling other holdings. Margin accounts and transactions are risky and not necessarily appropriate for every client. The potential risks associated with these transactions

are: (1) the client can lose more funds than are deposited into the margin account; (2) the broker-dealer can force the sale of securities or other assets in the client's account; (3) the broker-dealer can sell the client's securities or other assets without contacting the client; (4) the client is not entitled to choose which securities or other assets in the account are liquidated or sold to meet a margin call; (5) the broker-dealer can increase its "house" maintenance margin requirement at any time and is not required to provide the client advance written notice; and (6) the client is not entitled to an extension of time on a margin call.

INVESTMENT RISKS

All investment programs have certain risks that are borne by the client and **investing in securities involves risk of loss that clients should be prepared to bear**. Our goal is to reduce the risk of loss, but not at the expense of portfolio growth. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. To manage risk, we rebalance model portfolios on an as needed basis to bring the asset allocations back to their intended balances. The client should feel free to ask questions about risks that he or she does not understand; we would be pleased to discuss them.

RECOMMENDED SECURITIES

We use several types of securities in client portfolios including, but not limited to, mutual funds, exchange traded funds, stocks, and bonds. Some of the risks associated with these securities include:

- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation Risk:** This is the risk that inflation will undermine the performance of an investment or the future purchasing power of a client's assets.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.
- **International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

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 a client's evaluation of each supervised person providing investment advice. We do not have information applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

BROKER DEALER AFFILIATION

We are not affiliated with a broker-dealer.

FUTURES/COMMODITIES FIRM AFFILIATION

We are not affiliated with a futures or commodities broker.

OTHER INDUSTRY AFFILIATIONS

Our owner or associates may be independent insurance agents and may recommend this service to the firm's clients. This other business activity pays them commissions that are separate from the fees described in Item 5 above. This is a conflict of interest because the commissions give our associates a financial incentive to recommend and sell clients the insurance products. However, we attempt to mitigate any conflicts of interest to the best of our ability through our fiduciary duty and by informing clients that they are never obligated to purchase any recommended insurance products through our owner or associates.

RECOMMENDATION OF THIRD PARTY INVESTMENT ADVISER

We may recommend a Third-Party Adviser to manage a portion of a client's account. Please see Items 4 and 5 above for additional details.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTION AND PERSONAL TRADING

DESCRIPTION

Our Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our Code of Ethics covers all supervised persons and it describes our high standard of business conduct and fiduciary duty to our clients. The Code of Ethics includes, among other things, provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons must acknowledge the terms of the Code of Ethics annually or as amended.

MATERIAL INTEREST IN SECURITIES

We do not have a material interest in any securities.

INVESTING IN OR RECOMMENDING THE SAME SECURITIES

Our owners may buy or sell for their own account the same securities at or about the same time that they recommend those securities to clients or purchase them for client accounts. A conflict of interest may exist because they can trade ahead of client trades. We mitigate any conflict of interest in two ways. First, our Code of Ethics requires employees to report personal securities transactions on at least a quarterly basis and provide us with a detailed summary of certain holdings (both initially upon commencement of employment and quarterly thereafter) in which employees have a direct or indirect beneficial interest. The reports are reviewed to ensure that we do not trade ahead of client accounts. Second, we require client transactions be placed ahead of our associates' personal trades or our associates can place personal trades as part of a block trade (please see Item 12.B for details on our block trading practices). The records of all associates' personal and client trading activities are reviewed and made available to regulators to review on the premises.

ITEM 12 – BROKERAGE PRACTICES

RECOMMENDATION CRITERIA

We do not maintain custody of client assets, although we may be deemed to have custody of a client's assets if he or she gives us authority to withdraw assets from the account (see Item 15 – Custody, below). Client assets must be maintained in an account at a "qualified custodian," which is generally a broker-dealer or bank. We recommend that clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold the client's assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that the client use Schwab as custodian/broker, the client will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the account. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though our clients' accounts are maintained at Schwab, we can still use other brokers to execute trades for a client's account, as described below.

HOW WE SELECT BROKERS/CUSTODIANS TO RECOMMEND

We seek to recommend a custodian/broker who will hold the client's assets and execute transactions on terms that are overall most advantageous when compared with other available providers and their services. We consider a wide range of factors, including these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for a client's account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);

- Breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- Reputation, financial strength, and stability of the provider;
- Prior service to us and our other clients; and
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from Schwab”).

For our client accounts it maintains, Schwab generally does not charge the client separately for custody services but is compensated by charging the client commissions or other fees on trades that it executes or that settle into the Schwab account. For some accounts, Schwab may charge the client a percentage of the dollar amount of assets in the account in lieu of commissions. In addition to commissions or asset-based fees, Schwab charges the client a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the clients’ Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client’s trading costs, we have Schwab execute most trades for the account.

PRODUCTS AND SERVICES AVAILABLE TO US FROM SCHWAB

Schwab Advisor Services™ (formerly Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. They provide our clients and us with access to its institutional brokerage services—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Here is a more detailed description of Schwab’s support services:

Services That Benefit the Client. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit the client and the client’s account.

Services That May Not Directly Benefit the Client. Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or the client’s account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including

accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

Services That Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Charles Schwab & Co., Inc. has provided a loan to us to assist our business operations, and the loan is guaranteed by Gregory Prato, our principal. The terms of the loan require that management fees to us be paid to an account at Schwab for deduction of interest and principal payments on the loan before we may access those management fees. The loan agreement contains various representations and covenants by us, including, among others, that we will maintain at least \$80,000,000 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that we will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate or accelerate the loan, which may have a material adverse effect on our ability to perform services to the client.

Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit us and may not benefit our client accounts. Our recommendation or requirement that a client places their assets in Schwab's custody may be based in part on benefits Schwab provides us, or our agreement to maintain a certain Assets Under Management at Schwab, and not solely on the nature, cost, or quality of custody and execution services provided by Schwab.

We place trades for our clients' accounts subject to our duty to seek best execution and our other fiduciary duties. We may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that

we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

RESEARCH AND SOFT DOLLARS

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. We do not receive soft dollar benefits.

BROKERAGE FOR CLIENT REFERRALS

We do not receive client referrals or any other incentive from any broker-dealer or custodian.

DIRECTED BROKERAGE

Some clients may direct us to a specific broker-dealer to execute securities transactions for their accounts. When so directed, we may not be able to effectively negotiate lower brokerage commissions or achieve best execution on those clients' transactions. This can result in substantially higher fees, charges, or dealer concessions in one or more transactions for the clients' accounts because we cannot negotiate favorable prices.

TRADE AGGREGATION

We may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and each client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. We may determine not to aggregate transactions, for example, based on the size of the trades, the number of client's accounts, the timing of the trades, the liquidity of the securities, or the discretionary or non-discretionary nature of the trades. If we do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

ITEM 13 – REVIEW OF ACCOUNTS

The Prato Capital Management team reviews our model portfolios periodically. He also communicates with portfolio management clients on a quarterly basis either by phone, email, social media or in person. Clients receive monthly or quarterly account statements and are offered access to account performance reports via our website and our Performance Reporting Platform.

We review written financial plans or follow up consultations with the client upon request. We typically do not provide ongoing financial planning services, but we may at the client's request. A separate engagement is required for follow up meeting. Please note that our financial planning clients will receive a written report only if it is memorialized in the financial planning agreement.

Retirement Plan Consulting clients receive reviews as scheduled in their qualified plan service agreement.

Additional reviews may be conducted depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move, or inheritance).

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

OTHER COMPENSATION

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of Schwab's products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

CLIENT REFERRALS

We do not pay for client referrals or use solicitors.

ITEM 15 – CUSTODY

All client funds, assets, and securities are held at a qualified custodian. Under government regulations, we are deemed to have custody of the client's assets if the client authorizes us to instruct Schwab to deduct our management fee directly from the client's account. Schwab maintains actual custody of the client's assets. The client will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. The client should carefully review those statements promptly when he or she receives them. We also urge the client to compare Schwab's account statements with any periodic portfolio reports the client receives from us.

ITEM 16 – INVESTMENT DISCRETION

We offer discretionary investment management services. To grant us discretionary authority over the account, the client must sign the investment management agreement. Our investment management agreement contains a limited power of attorney that allows us to select the security, the amount, and the time of the purchase or sale in the client's account. It also allows us to place each such trade without the client's prior approval. In addition to our investment management agreement, the client's custodian may request the client to sign the custodian's limited power of attorney. This varies with each custodian. The client may limit our discretionary authority by providing us written instructions and after our written acknowledgment of the constraints.

ITEM 17 – VOTING CLIENT SECURITIES

We do not vote proxy votes for any client. All proxy materials are mailed or emailed directly to the client from the custodian. Any proxy materials received by us will be forwarded to the client for response and voting. In the event the client has a question about a proxy solicitation, the client should feel free to contact us.

ITEM 18 – FINANCIAL INFORMATION

BALANCE SHEET

We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to provide a balance sheet.

FINANCIAL CONDITION

We are required in this Item to provide clients with certain financial information or disclosures about our financial condition if we have a financial commitment that impairs our ability to service our clients. We do not have a financial commitment that impairs our ability to service our clients.

BANKRUPTCY

We have not been the subject of a bankruptcy proceeding.