

## **Form ADV Part 2A**



## **Bernzott Capital Advisors**

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Bernzott Capital Advisors is an investment advisory firm registered with the United States Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940. This brochure provides information about the qualifications and business practices of Bernzott Capital Advisors. Although this brochure is produced according to guidelines provided by the SEC, brochures are not approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply any particular level of skill or training.

If you have any questions about the contents of this brochure, please contact us at (800) 856-2646. Additional information about Bernzott Capital Advisors also is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Item 2 – Material Changes**

This brochure dated August 23, 2023 contains the following updates since the filing of our Annual Amendment dated March 28, 2023:

Item 1 – Change of Address

Item 4 – Primary Office

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## **Item 4 - Advisory Business**

We are an independent money manager and have been in business since 1994. The firm is 100% owned by employees and an employee related party. The principal owners, those owning 25% or more of the firm, are Bernzott Capital Advisors Profit Sharing Plan and Kevin Bernzott, Founder & Chairman.

We provide discretionary portfolio management services to a mutual fund, separate account clients, and Unified Managed Accounts (UMA).

Investment Company Services. The Bernzott U.S. Small Cap Value Fund has engaged us to provide day-to-day investment management on a discretionary basis and administrative oversight services pursuant to an Investment Advisory Agreement.

Separate Account Services. Discretionary investment supervisory services are provided to institutional and private clients. We also manage Unified Managed Accounts (UMA) for a select number of clients.

Sub-Adviser Services. From time to time we may enter into sub-advisory agreements with independent investment adviser firms to provide portfolio management services to other firms' clients. Under such an arrangement, the independent adviser is responsible for managing the client relationship, and we are responsible for the discretionary management of the client's portfolio.

Our services are provided under the terms of a written advisory agreement between us and the client that details the conditions, fees and investment guidelines that govern the actions we take on each client's behalf. Clients may impose portfolio-specific restrictions by written direction. The client or Bernzott Capital Advisors can terminate the agreement at any time upon written notice to the other party.

Our primary office is located in in Camarillo, CA.

Discretionary assets under management as of December 31, 2022: \$681,972,228

Non-Discretionary: \$0

## **Item 5 - Fees and Compensation**

Compensation. Bernzott Capital Advisors is a fee-only advisory firm. We are compensated by a percentage of assets under management. We do not require prepayment of fees. We do not offer any wrap fee programs. We do not receive or pay fees for any type of referral.

For institutional clients investing in the small/mid-cap strategy, fees are billed quarterly in arrears on the market value of assets under management at an annual rate of 0.90% of the first \$10 million, 0.80% of the next \$15 million, 0.75% of the next \$25 million and 0.65% of the balance.

For institutional clients investing in the all-cap strategy, fees are billed quarterly in arrears on the market value of assets under management at an annual rate of 0.75% of the first \$25 million, 0.70% of the next \$25 million, 0.65% of the next \$50 million and 0.60% of the balance.

For private clients, fees are billed quarterly in arrears on the market value of assets under management at an annual rate of 1% of the first \$2 million, 0.75% of the next \$3 million, and 0.50% of the balance.

For mutual fund clients, fees are billed quarterly in arrears on the market value of assets in the mutual fund at an annual rate of 0.95%.

For Unified Managed Accounts (UMA) and model portfolios fees are negotiated.

We may also negotiate fees different from our fee schedule. We serve certain non-profits at a discount and we waive fees for employees and related parties.

Multiple accounts for any single client relationship can be combined for the purpose of determining fee breaks. Assets under management for less than a quarter are charged on a pro-rata basis.

Our fees are set forth in the advisory agreement with each client. Bernzott Capital Advisors does not impose a minimum annual fee, and we do not charge any fees to establish an account or terminate an account. We charge our fees in arrears, which means that we do the work for the quarter and then charge our fees afterward. If a client relationship is terminated prior to a quarter-end, Bernzott Capital Advisors will assess a final billing that is prorated for the number of days in the quarter that the account was under Bernzott Capital Advisors management.

Bernzott Capital Advisors does not receive any brokerage commissions, dealer spreads or other transaction fees for trading in a client's account. We do not have any hourly charges. Our asset-based fees are the sole source of compensation we receive from our clients.

Clients frequently authorize Bernzott Capital Advisors to collect our management fees by deducting the fee directly from the client's account. If a client prefers, we can also collect our management fees by sending the client an invoice. While we do our best to accurately calculate our fees, the custodian will not separately determine whether fees have been properly calculated. Clients receive a statement from the custodian that shows the deduction of our quarterly fees, and each client should be aware of their responsibility to verify the accuracy of the fee calculations.

Similar services may be available from other advisers at lower fees.

*Other Fees.* Clients may also pay other fees in connection with the advisory services we provide. Bernzott Capital Advisors' fees do not include brokerage commissions, dealer spreads, or other costs associated with the purchase or sale of securities, custodian fees, interest, taxes, and other account expenses. These are not fees earned by Bernzott Capital Advisors, but they may contribute to the overall cost of an investment program. Part of our job is to help clients reduce the outside fees and transaction costs that could otherwise erode their account performance over time. Please

refer to the *Brokerage Practices* in Item 12 of this brochure, which discusses the factors we consider in selecting brokers.

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

Bernzott Capital Advisors does not charge performance-based fees for accounts.

## **Item 7 - Types of Clients**

*Investment Companies.* We currently are the investment adviser to the Bernzott U.S. Small Cap Value Fund (the “Fund”), a series of the Investment Managers Series Trust. For the Fund we provide day-to-day investment management on a discretionary basis and administrative oversight services pursuant to an Investment Advisory Agreement.

*Separate Accounts.* We provide discretionary portfolio management services to both institutional and private clients. Clients may include multi-employer (Taft-Hartley), union or governmental employee pension or benefit plans, banks or thrift institutions, investment companies, UMAs, trusts, estates, charitable organizations or other corporations or entities.

Discretionary investment supervisory services are provided to institutional and private clients with minimum relationship sizes of \$10 million and \$1 million, respectively. However, at our discretion, we may waive that minimum. For example, exceptions may be made if a smaller amount is part of a relationship exceeds the minimum or if there is a reasonable expectation that funds will be added in the near future that will bring the total amount over the minimum. Other exceptions may apply to our employees and their relatives, or relatives of existing clients.

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

*Methods of Analysis.* We are a “bottom up” manager with a long-term horizon. We believe that superior, risk-adjusted returns can be generated by constructing a concentrated portfolio of thoroughly researched companies purchased at appropriate prices. We favor companies with significant recurring revenue, solid operating margins, moderate leverage, and strong returns on capital. We have a value orientation and seek to purchase companies at a discount to fair market value. We construct portfolios without regard to sector weighting. Our process results in comparatively low turnover.

The members of the investment team are generalists. The team actively monitors companies on Buy and Watch lists. Buy and sell decisions are made unanimously by the team. We do not utilize “stop-losses” – in the short-term market prices may be volatile. We will sell if we determine our investment thesis is invalid, fundamentals of a company or industry are deteriorating, the price of a company reaches or exceeds fair value or it becomes over-weighted due to appreciation, or to

raise cash for a more compelling opportunity. Buy, sell, and fair value estimates are evaluated regularly.

### Investment Strategies

*Separate Accounts.* For our separately managed accounts we principally construct three types of portfolios: US Small Cap Value, US All Cap Value, or Customized Multi Asset Class.

- US Small Cap Value. Our US Small Cap Value portfolios are generally constructed of 25 to 35 US small cap equities without sector bias or consideration to the benchmark sector weighting. Holdings at acquisition will have cap sizes from \$250 million to \$5 billion. Minimum holding size is 1 - 2%, average 3-5% and maximum size is 6%. We do not make strategic allocations to cash. On average cash is 5% or less. The investment team is patient and strives to not overpay. This conservative, fundamental approach coupled with price discipline on the buy side has historically resulted in low volatility when compared to its benchmark.

- US All Cap Value. Our US All Cap Value portfolios are constructed in a similar fashion to our US Small Cap Value portfolios, however this strategy provides us with the flexibility to invest in multiple cap sizes. For clients in this portfolio who have not directed a maximum cash allocation we also have the ability to move into cash if we determine market conditions are unfavorable based on internal research.

- Customized Multi Asset Class. For some clients, a more diversified portfolio has been deemed more appropriate. For those clients, we offer to include bonds, exchange traded funds (ETFs) and cash equivalents in the portfolio.

*Bernzott Small Cap Value Fund (BSCVX).* Investment for the Fund's account mirrors that of our US Small Cap Value portfolios.

### Risks.

Investing exposes a client's account to a variety of risks. Bernzott Capital Advisors does not guarantee the future performance of the account or the success of any investment decision or strategy that we use in the management of the account. It is important for each client to understand that investment decisions are subject to market, economic and business risks, and that those investment decisions will not always be profitable. **Even well-managed, diversified portfolios are likely to experience periods of decline.**

Before deciding whether to invest, these risk factors, that may cause investors to lose money, should be carefully considered.

*Market Risk.* A portfolio may be affected by a sudden decline in the market value of an investment, or by an overall decline in the stock market. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole.

*Interest-rate Risk.* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Equity Securities Risk.* The value of the equity securities held in a portfolio or fund may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held participate, or factors relating to specific companies whose stock is held in the portfolio. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held in a separate portfolio or the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held in a portfolio. Common stock of an issuer in a separately managed account or the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers. The stock market has been subject to significant volatility recently which has increased the risk associated with an investment in equities.

*Value-Oriented Investment Strategies Risk.* Value stocks are those that, in the opinion of Bernzott Capital Advisors, are undervalued in comparison to their peers due to adverse business developments or other factors. Value investing carries the risk that the market will not recognize a security's inherent value for a long time, or that a stock judged to be undervalued may actually be appropriately priced or overvalued. Therefore, a value-oriented investment portfolio is most suitable for long-term investors who are willing to hold their shares for extended periods of time through market fluctuations and the accompanying changes in share prices.

*Small-Cap Company Risk.* These securities may be subject to more abrupt or volatile market movements and may have lower trading volumes or more erratic trading than securities of larger-sized companies or the market averages in general. Since equity securities of smaller companies may lack sufficient market liquidity and may not be regularly traded, it may be more difficult or impossible to sell securities at an advantageous time or a desirable price.

*Focused Investment Risk.* Although our portfolios are diversified, we normally focus our investments in 25-40 equity securities.

*Management Risk.* Bernzott Capital Advisors' portfolios are subject to management risk because they are actively managed. Bernzott Capital Advisors analysts apply investment techniques and risk analyses in making investment decisions, but there can be no guarantee that these will produce the desired results.

*Cybersecurity Risk.* Investment advisors, such as Bernzott Capital Advisors, and their service providers may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service, attacks on websites, the unauthorized release of confidential



information or various other forms of cybersecurity breaches. Cyber-attacks affecting an investment advisor, a client's custodian, or intermediaries or other third-party service providers may adversely impact a client's experience and/or investment. For instance, cyber-attacks may interfere with the processing of client's transactions, cause the release of private information or confidential company information, impede trading, subject the advisor to regulatory fines or financial losses, and cause reputational damage. Bernzott Capital Advisors may also incur additional costs for cybersecurity risk management purposes. While Bernzott Capital Advisors and our service providers have established business continuity plans and risk management systems designed to prevent or reduce the impact of cybersecurity attacks, such plans and systems have inherent limitations due in part to the ever-changing nature of technology and cybersecurity attack tactics, and there is the possibility that certain risks have not been adequately identified or prepared for. Furthermore, Bernzott Capital Advisors cannot control any cybersecurity plans or systems implemented by our service providers. Similar types of cybersecurity risks are also present for issuers of securities in which Bernzott Capital Advisors invests, which could result in material adverse consequences for such issuers and may cause the investment in such portfolio companies to lose value.

## **Item 9 - Disciplinary Information**

Bernzott Capital Advisors and our employees have not been the subject of any disciplinary actions.

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

Bernzott Capital Advisors is an independent firm. We are not affiliated with any other company, and we do not receive compensation from any outside companies for recommending the use of their investment products in client accounts.

*Bernzott US Small Cap Value Fund (BSCVX).* As previously described, we manage Bernzott US Small Cap Value Fund. We receive an investment advisory fee for advising the fund. We may purchase the Fund for client accounts, but if we do so will waive our regular advisory fee to the extent that assets in the account managed by us are invested in the Fund. We, at our expense, pay IMST Distributors, Inc ("IMST"), an unaffiliated FINRA registered broker-dealer, a fee for certain distribution-related services for the Bernzott Small Cap Value Fund.

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

We have adopted a Code of Ethics ("the Code") for all supervised persons of the firm, which includes our portfolio managers. The Code sets forth the standards of business conduct the firm expects from each supervised person. It requires, among other things, full compliance with applicable federal securities laws, approval of any outside business activities, disclosure of political contributions, recognition of our fiduciary duty to clients, and placing clients' interests

before our own. We also have a written Policies and Procedures manual designed to, among other things, detect and prevent insider trading. There are provisions for restricting access to files, providing continuing education, restricting and monitoring trading of those securities about which we may have non-public information, and monitoring the securities trading of related persons. Both the Code and the Policy & Procedures manual are available to every employee and each attests annually that they have received, understand and will comply with them. We have a Chief Compliance Officer.

Our portfolio managers and other employees at the firm frequently own the same securities in their personal accounts that we recommend for our clients. We believe this policy aligns our interests with the best interests of our clients. However, we also recognize that personal trading activities can create a conflict of interest if personal trading is allowed to have an advantage over the trading we do on behalf of our clients' accounts. We have a responsibility to ensure that all personal trading and investment activities on the part of our employees meet our fiduciary obligations to place client interests ahead of our own. When buying or selling securities for employee or related party accounts, we execute these trades last, after all trades in client accounts have been filled.

While we personally invest in the same securities as are purchased for clients, we may also buy or sell securities for our own accounts, based on personal investment considerations, which the firm does not deem appropriate for clients. We monitor the trading activity of our employees to confirm that the best interests of our clients come first, and that all trading activity complies with applicable securities laws.

It is our policy that employees shall not buy or sell securities for their personal account when their decision is substantially derived, in whole or in part, from information obtained by reason of their relation to the firm unless the information is also available to the general public on reasonable inquiry.

Employees are required to report holdings and transactions in personal accounts to the Chief Compliance Officer for periodic review.

We require all employees to act in accordance with laws and regulations governing our business and will discipline or terminate any employee acting otherwise.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us by telephone at (800) 856-2646 or by email at [info@bernzott.com](mailto:info@bernzott.com).

## **Item 12 - Brokerage Practices**

We manage: 1) Separately Managed Accounts (SMA), including institutional and private client portfolios and the Bernzott Small Cap Value Fund (BSCVX), and; 2) Unified Managed Accounts (UMA). We have established a trade rotation procedure to ensure that all clients are treated fairly. Accounts where the client has specified instructions, restrictions or other special circumstances will be traded at the end of the regular rotation.

As with client-directed brokerage (described below), the restricted accounts are typically executed after accounts that have not imposed restrictions, depending on activity during the trading session. As result, the restricted account may receive less favorable prices and execution. The account will not receive the same average price as the non-restricted accounts and this may impact our ability to obtain best execution.

Among the SMAs, we do not use or suggest brokers or direct brokerage in exchange for fees, products, research, services, payments for order flow, rebates, soft dollars or other compensation. We use or suggest brokers that we reasonably believe will provide best price and execution. We consider reputation, integrity, access, ability, level of communication, responsiveness, block trading capability and established mechanisms to provide best price and execution. We negotiate "execution only" commission rates, but do not solicit competitive bids and do not necessarily seek the lowest available commission cost. We may receive informal benefits from brokers who provide best execution and trade cost analysis. These relationships are periodically evaluated to ensure clients are not paying higher commissions to these brokers and are receiving best execution.

Clients are entitled to direct their brokerage. A client that directs we use a particular broker must do so in writing and is responsible for negotiating terms, arrangements and commissions with that broker. If a client directs brokerage, we will be unable to aggregate their trades with those of other clients, reducing their chance to participate in block trades and obtain volume discounts and this will impact our ability to obtain best execution. Accounts that direct brokerage may pay higher commission rates. Additionally, trades for directed accounts are generally executed after non-directed accounts which may result in less favorable prices and execution.

We may aggregate trades using our trading software in an attempt to achieve best price and execution. Trades are aggregated by broker. If we aggregate orders, shares are allocated to all accounts served by any given broker at the average price we received on the day and each account pays its own respective commission costs. Trades for accounts that use custodians that charge trade-away fees or who charge fees to step into trades executed by another broker (step-out trades) may not be aggregated with those of other clients that we have the ability to direct to a broker of our choice without incurring an additional fee. These accounts will not receive the same average price as the accounts that were block traded and this may impact our ability to obtain best execution.

In the event of a partial fill, no related party accounts receive any allocation. We use our trading software to allocate on a pro rata basis or to allocate "all or none" on a random basis to avoid multiple commission charges that would result from a series of small, partially filled orders. However, if either of those methods would somehow result in clients being disadvantaged, our Chief Compliance Officer or Founder can override the software and instruct a manual allocation in a good faith effort to eliminate or mitigate such disadvantage.

We have implemented policies and procedures to monitor best price and execution. Our Chief Compliance Officer or other officer of the firm in his absence, reviews a report generated every trading day detailing every executed trade. Additionally, we periodically review broker performance and statistics relative to best price and execution and examine and review commission structures in an effort to obtain competitive pricing for our clients.

### **Item 13 - Review of Accounts**

Accounts are subject to continuous monitoring and supervision. There are no specific factors triggering review and no procedure determining the sequence in which accounts are reviewed. Reviews are performed by one of the portfolio managers. The number of accounts each portfolio manager is responsible for depends upon the number of accounts in the firm at any given time and the complexity of maintaining the relationship related to the account.

Clients receive regular reports of their portfolio holdings directly from an independent custodian. Many custodians also provide clients online access through their website that allows them to view their accounts on an ongoing basis. Bernzott Capital Advisors also provides clients with our own statements quarterly as well as periodic newsletters, emails, and phone calls providing clients updates on performance and portfolio holdings. Portfolio managers and analysts are available to meet with clients as required or requested. We also maintain a website at [www.bernzott.com](http://www.bernzott.com) which clients can utilize to view updates on the firm and access links to other helpful websites.

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

Bernzott Capital Advisors does not currently have in place any agreements to compensate outside parties for referring clients to the firm. We only receive compensation from clients for whom we provide investment advisory services.

Also, we do not receive any compensation for referring clients to other professional service providers, such as bankers, accountants or attorneys, when a client needs such a referral. No one who is not a client provides us any economic benefit.

*Schmetter & Associates*. In the past we had a contractual relationship with the third-party institutional marketing firm Schmetter & Associates. Although we terminated the marketing services effective March 31, 2013, Schmetter & Associates continues to be paid 20-25% of collected revenue from specified institutional clients. They are not a broker/dealer and all fees are paid by us in cash. No additional amount is ever billed to any client as a result of such payments.

We engage in no other financial industry activities and are not affiliated with any broker-dealer, financial planner, or other investment adviser.

### **Item 15 - Custody**

All of our clients use a qualified independent custodian for safekeeping of their portfolio assets. Clients receive trade confirmations and regular account statements directly from the custodian, which we believe is an important protection for clients. We encourage clients to compare reports from Bernzott Capital Advisors to the statements they receive from their account custodian in order to identify any discrepancies. If a client does not receive at least quarterly account statements (showing amounts of all funds and securities and all transactions during the quarter) directly from

their custodian, the client should contact Bernzott Capital Advisors right away so we can work with the client and the custodian to arrange for such statements to be delivered directly to the client.

Clients open their account by entering into an account agreement directly with the qualified custodian. We are not able to open the account for clients, although we may assist them in the process by helping them complete the necessary paperwork.

Bernzott Capital Advisors does not hold any client assets. The qualified independent custodian maintains custody of client assets and directly provides clients with regular account statements at the email or postal mailing address specified by the client. However, under federal regulations, Bernzott Capital Advisors is deemed to have a limited form of custody when a client gives us authority to deduct our advisory fees directly from their account. Also, Bernzott Capital Advisors is deemed to have custody of client's assets when clients have a standing letter of authorization ("SLOA") with their custodian to move money from their account to a third party, and Bernzott Capital Advisors is authorized to tell the custodian the amount or timing of those transfers.

## **Item 16 - Investment Discretion**

At the beginning of each new client relationship, Bernzott Capital Advisors and the client discuss and mutually agree upon investment guidelines for the client's account. These guidelines outline the objectives for the portfolio, along with any relevant constraints or specific client preferences that Bernzott Capital Advisors should take into consideration while managing the account.

Our advice is furnished on a discretionary basis, which means Bernzott Capital Advisors has full power to supervise and direct the investments of the account, making and implementing investment decisions, without prior consultation with the client. When a client grants investment discretion, the advisor has authority to determine which securities are bought and sold for the account, the total amount of such purchases and sales, the broker used for the transaction and the commission rates paid. Our authority may be subject to conditions imposed by the client, such as restricting transactions in certain types of securities or directing us to retain positions that have a low tax basis.

Clients authorize Bernzott Capital Advisors to take actions on their behalf by instructing the account custodian to permit that authority. This is done by way of a limited power of attorney, which the client signs and sends to the custodian to permit Bernzott Capital Advisors to view and manage the account. The client can revoke this discretionary authority at any time by contacting the custodian, in which case Bernzott Capital Advisors would no longer be able to view the account or place trades in the account. Revoking Bernzott Capital Advisors investment authority does not affect the existing account holdings, and the client's account would remain in-tact at the custodian.

## **Item 17 - Voting Client Securities**

Unless directed otherwise, we vote proxies for all supervised securities pursuant to procedures designed to ensure that we vote considering only the interest of our clients.

We generally vote according to management recommendations yet will exercise discretion at any time when normal voting practice is inconsistent with client interests. We vote against proposals that entrench management or result in egregious compensation. We also typically vote against board nominees who do not have significant share ownership or do not have significant experience related to the business of the company or appear to be otherwise unqualified. We generally vote against shareholder-initiated proposals that appear to be driven by social concerns having little relevance to the business of the company.

Bernzott Capital Advisors is an independent investment advisor and is not affiliated with any public companies. In the rare instance when a conflict of interest may arise in our proxy voting duties, we will provide the client with sufficient information regarding the matter before the shareholders and the nature of Bernzott Capital Advisors conflict of interest to allow the client to make an informed decision or direct our vote.

We utilize ProxyEdge to physically cast our proxies and maintain and archive our voting history. We generally vote all holdings of a company's stock as a block. To that end, we will make an effort to reconcile the number of shares voted with number of shares held across client accounts. However, we primarily rely upon the custodian and proxy voting services to provide ballots with the appropriate number of shares to be voted.

We do not vote proxies for unsupervised securities in client portfolios.

Participation in securities class action filings is not a part of our advisory services.

Clients may obtain a copy of our proxy voting procedures and information about how proxies were voted by contacting us by telephone at (800) 856-2646 or by email to [info@bernzott.com](mailto:info@bernzott.com).

## **Item 18 - Financial Information**

Bernzott does not require or solicit prepayment of fees from clients six months or more in advance. Bernzott has no financial commitments that impair its ability to meet contractual commitments and fiduciary commitments to clients. Bernzott has not been the subject of a bankruptcy proceeding.