

## Form ADV Part 2



Financial & Tax Architects, Inc.  
12412 Powerscourt Drive, Suite 25  
Saint Louis, MO 63131  
(314)-858-1122  
[www.fta-ria.com](http://www.fta-ria.com)

This ADV Form 2A (the "Brochure") provides information about the qualifications and business practices of Financial & Tax Architects, Inc. ("FTA") If you have any questions about the contents of this Brochure, please contact us at 314-858-1122. 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.

FTA is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications of an investment advisor provide you with information about which you determine to hire or retain an investment advisor.

Additional information about FTA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). FTA's CRD# is 119169.

**March 31<sup>st</sup>, 2021**

## Item 2: Material Changes

### Material Changes

This Brochure is Financial & Tax Architect's, Inc.'s Annual Updating Amendment dated March 31<sup>st</sup>, 2021.

Financial & Tax Architects, Inc. has added additional Private Wealth Strategies. See Item 4 beginning on page 1 for additional details,

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**Item 3: Table of Contents**

**Table of Contents**

**Item 1. Cover Page**

**Item 2. Material Changes..... ii**

**Item 3. Table of Contents..... iii**

**Item 4. Advisory Business..... 1**

**Item 5. Fees and Compensation..... 3**

**Item 6. Performance-Based Fees and Side-by-Side Management ..... 4**

**Item 7. Types of Clients..... 4**

**Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....5**

**Item 9. Disciplinary Information..... 6**

**Item 10. Other Financial Industry Activities and Affiliations..... 6**

**Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....7**

**Item 12. Brokerage Practices..... 8**

**Item 13. Review of Accounts..... 9**

**Item 14. Client Referrals and Other Compensation..... 9**

**Item 15. Custody..... 9**

**Item 16. Investment Discretion..... 9**

**Item 17. Voting Client Securities..... 9**

**Item 18. Financial Information.....9**

## Item 4: Advisory Services

### Firm Description

Financial & Tax Architects, Inc. ("FTA") is a fee-only investment advisor charging clients a percentage of assets under management. FTA has provided advisory services since 1998. FTA is registered with the U.S. Securities and Exchange Commission. As of December 31<sup>st</sup>, 2020, FTA has discretionary assets under management ("AUM") of \$183,838,869. The total AUM consists of FTA's retail advisory program and its sub-advisory program. FTA's retail AUM is \$86,976,937 and its sub-advisory AUM is \$86,861,932.

### Retail Discretionary Asset Management

FTA manages, on a discretionary basis, individual and high-net worth clients who are nearing retirement or who are already retired. FTA offers ongoing, continuous portfolio management services by determining an individual clients' investment goals, time horizons, investment objectives, and risk tolerance. The investment strategies, selection, and asset allocation are based on those factors.

The client is responsible for notifying FTA of any significant changes and updates regarding their financial situation, risk tolerance or investment objective and whether they wish to impose or modify existing investment restrictions; however, we will attempt to contact the client at least annually to discuss any changes or updates regarding their financial situation, risk tolerance or investment objectives.

All client assets are invested in FTA's Private Wealth Strategies (the "Strategies") which are discussed in greater detail below.

Discretionary clients sign an Investment Advisory Agreement ("IAA") which grants FTA a limited trading authorization allowing it to execute transactions in the clients' account without seeking pre-approval for each transaction. The client may designate specific holdings as restricted for a variety of reasons and those assets are excluded from fee calculations.

### Managed Money Program (sub-advisory services)

FTA's sub-advisory services provide unaffiliated registered investment advisory firms ("IA Firms") access to its Private Wealth Strategies (discussed below) under the terms of a sub-advisory agreement. FTA calls their sub-advisory services its Managed Money Program (the "Program"). The Program provides regular monitoring, rebalancing and is generally responsible for managing the Private Wealth Strategies in accordance with their specific individualized investment thesis. FTA is not acting as a personal, direct investment advisor to the underlying clients of the IA Firms. FTA does not possess knowledge of the individual information or investment goals and objectives and does not provide personalized investment advice to IA Firm clients. Program services are considered *impersonal investment advice* (which means that these services are not intended to meet the needs or the objectives of specific individuals or accounts). The specific needs and objectives of IA Firm clients are the sole responsibility of the IA Firm. FTA's advice is given on an objective basis. All IA Firm clients grant FTA discretionary authority to permit FTA to trade in their custodial accounts. The IA Firm is required to deliver FTA's ADV Part 2.

Our Managed Money Program is only available to IA Firms whose participant accounts are held at one of the following custodians: TD Ameritrade Institutional ("TD") and Interactive Brokers, International ("IB").

### Financial Consulting

FTA offers financial planning and consulting services designed to assist clients with creating an overarching financial plan. A financial plan may include such topics as 401k plan allocation and insurance and annuity options. Consulting services are offered on a year-to-year basis. A new consulting services agreement must be executed annually to continue with FTA's services. Either party may terminate the agreement at any time. If client

terminates within five (5) days of execution, they will receive a full refund of their fee. After five days, the client will receive a pro-rata refund.

Generally, FTA's consulting services includes the following:

- An initial meeting taking of up to two hours.
- A follow-up meeting to deliver and discuss initial recommendations typically taking up to 90 minutes.
- A second follow up meeting approximately every 3 months to check on progress and adjust recommendations based on changes in the market or the client's financial situation.
- Retirement or pre-retirement strategies to retain and build wealth and a reliable stream of income. The income stream typically consists of a combination of Social Security benefits, investment accounts and annuities. Annuities are offered through an affiliated entity, FTA Insurance Services, LLC. Compensation for annuity sales are commission based and are paid directly to the FTA affiliate. Clients are never required to purchase other products from any FTA affiliate, including FTA Insurance Services.

FTA's consulting services also may include a review of the client's retirement plan accounts, including specific recommendations.

The implementation of any FTA financial consulting recommendations is at the sole discretion of the client.

The scope of work and fee for consulting services is provided to the client, in writing, prior to FTA's engagement.

#### Private Wealth Strategies

FTA manages a series of proprietary investment allocation models designed to approximate specific market segments for both its retail and sub-advisory clients. FTA calls these allocation models Private Wealth Strategies ("PWS" or the "Strategies"). Each Strategy is comprised of a model portfolio or a weighted combination of multiple Strategies. The IA Firm participating in the PWS Program selects the most appropriate Strategies or blend of Strategies for its clients. The IA Firm may elect to select one or multiple Strategies within any client custodial account. The combination of Strategies selected by the IA Firm is considered the clients Asset Allocation. IA Firm client accounts are invested according to the Asset Allocation provided to FTA by the IA Firm. Once the IA Firm provides the Asset Allocation, FTA is solely responsible for trading activity, performance reporting and other administrative services.

Clients should be aware that the Strategies are not managed in a tax sensitive fashion. Any tax management strategies should be discussed on an individualized basis with a tax professional. FTA does not provide legal or accounting advice.

Currently, FTA offers the following Private Wealth Strategies:

- |                                                |                                           |
|------------------------------------------------|-------------------------------------------|
| <i>~ Country Rotation Strategy</i>             | <i>~ Sleep Well Bond Strategy</i>         |
| <i>~ Economic Cycle Strategy</i>               | <i>~ Sector Growth Strategy</i>           |
| <i>~ Employment Trends Strategy</i>            | <i>~ Strategic Hedged Income Strategy</i> |
| <i>~ Foundation Strategy</i>                   | <i>~ Strategic Enhanced Bond Strategy</i> |
| <i>~ Global Sector Strategy</i>                | <i>~ Strategic Mid-Cap Strategy</i>       |
| <i>~ High Yield Corporate Bond Strategy</i>    | <i>~ U.S. Prime Dividend Strategy</i>     |
| <i>~ International Prime Dividend Strategy</i> | <i>~ U.S. Prime Dividend Jr. Strategy</i> |

*~ NASDAQ Leader Strategy*

*~ Value Discount Strategy*

*~ Reflation Strategy*

### Educational Events and Workshops

FTA provides educational events in areas such as financial planning, retirement planning, tax planning and Social Security benefit education to clients and prospects that are nearing retirement or in their retirement years. These events are always offered on an impersonal basis and do not focus on the individual needs of clients or prospects. Educational events are typically held at academic institutions like colleges or universities. FTA's presentation materials are not reviewed or endorsed by any academic institution.

### Client Exclusions and Investment Restrictions

In some instances, clients may desire to impose trading restrictions on designated securities that are not be sold. Restricted assets are not included in FTA's assets under management fee calculations. No other investment restrictions are permitted.

Clients may terminate advisory services with thirty (30) days written notice. FTA will be entitled to a pro rata fee for the period advisory services were provided during the current billing period. FTA may not assign any advisory or sub-advisory agreement without the written consent of the client.

### Wrap Fee Programs

FTA is not a wrap fee program sponsor.

### Assets under Management

As of December 31, 2020, FTA's assets under management totaled \$183,838,869.

## **Item 5. Fees and Compensation**

This section provides additional details of FTA's fee and compensation schedules. Exact fees and other terms, if any, will be outlined in the IAA between the client and FTA.

### Methods of Compensation and Fee Schedules

#### Discretionary Asset Management

The annual fee for FTA's discretionary asset management services is charged monthly in arrears and is based on a percentage of the assets under management. FTA's management fee is 1.95% of designated assets under management.

Client shall be given ninety (90) days prior written notice of any increase in fees. Client will acknowledge, in writing, any increase in advisory fees before such increase becomes effective. FTA may lower its advisory without prior written notice but will advise the client of the lower fee within ninety (90) days of such action.

#### Consulting Services

FTA offers consulting services for a fixed fee of \$499 per year which are billed in advance. Should a party terminate the agreement before the term has expired, a pro-rata share of the fee will be refunded. If the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral consulting agreement with FTA, the Client may cancel within five (5) business days of signing agreement for a full refund.

### Managed Money/Sub-Advisory Services

The annual fee for FTA's Managed Money Program services is charged monthly in arrears and is based on a percentage of the assets under management for each IA Firm. FTA's sub-advisory fee is .75%. FTA is paid its management fee by the custodian. The management fee is deducted from the participant accounts of the IA Firms.

IA Firms may terminate their sub-advisory agreement with FTA at any time. FTA will be entitled to a pro rata sub-advisory fee for the period those services were provided during the billing period. Neither FTA, nor the IA Firm, may assign the sub-advisory agreement without the written consent of the non-assigning party

### Educational Events and Workshops

FTA educational events and workshops are provided free of charge.

### Client Payment of Fees

FTA's advisory fees are charged monthly, in arrears. The qualified custodian deducts the advisory fee directly from client accounts.

Consulting services fees are less than \$500 and are billed annually in advance.

### Additional Client Fees Charged

The advisory fees paid to FTA do not include the fees and expenses client may incur when purchases or sales are made for their account. Those fees may include, but are not limited to, transactions fees, brokerage fees, custodial fees, and the management fees or expenses charged by mutual funds companies or ETF's sponsors.

For more details on FTA's brokerage practices, see Item 12 of this Brochure.

### Prepayment of Client Fees

FTA does not charge client fees of greater than \$500 more than twelve (12) months in advance.

### External Compensation for the Sale of Securities to Clients

FTA does not receive any external compensation for the sale of any securities to its clients.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

FTA does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Fees are calculated as described above and are not charged on the basis of income, capital gains or capital appreciation of the assets or any portion of the assets of an client.

## **Item 7: Types of Clients**

### Description

FTA provides advisory services to individuals and high net-worth individuals. FTA also provides sub-advisory services to other registered investment advisors.

Client relationships vary in scope and length of service.

### Account Minimums

FTA does not have a minimum account size requirement.

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

### Methods of Analysis

FTA's security analysis is based on a number of factors, including those derived from academic research and literature, commercially available software technology, securities rating services, general market and financial information, due diligence reviews and specific investment analysis.

### Security Specific Material Risks

All investment activities and programs carry certain risks that are borne by the investor. Therefore, clients should be prepared to bear investment losses including loss of original principle. While financial markets may increase and decrease, clients accounts may experience gains or losses that vary from those of the financial markets taken as a whole. FTA is unable to represent, guarantee or imply that our methods of analysis will be able to successfully predict future results or protect against losses due to market fluctuations. Past performance is not indicative of future results. Clients should not assume the performance of any investment strategy employed by FTA will be profitable.

All investors face the following risks and should discuss these risks with their advisor:

- *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.
- *Market Risk* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- *Options Trading*. The risks involved with trading options are that they are very time sensitive investments. An options contract is generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a "book-entry" only investment without a paper certificate of ownership.



- *Leveraged Risk*: The risks involved with using leverage may include compounding of returns (this works both ways – positive and negative), possible reset periods, volatility, use of derivatives, active trading and high expenses. Leveraged investments are not for long-term investors or buy and hold strategies.
- *Security Specific Risk*: FTA primarily uses ETF's, Treasury securities and cash equivalents in the investment strategies it manages. While FTA does not currently invest with any mutual funds in the investment programs, it reserves the right to do so in the future. The specific risks associated with ETF's include all of the risks described above, as well as increased liquidity risk should the underlying investments become illiquid or valuation becomes difficult. Since an ETF manager is solely responsible for determining when holdings are sold, the tax risk is increased for ETF shareholders. Other potential risks include a nominal trading risk since unlike a mutual fund which has a set end of day NAV, ETF's must be traded in the market and trading expenses may diminish returns. Finally, an ETF may be shut by its sponsor without notice resulting in a total liquidation of the ETF which may result in an elevated reinvestment risk.

## Item 9: Disciplinary Information

### Criminal, Civil or Disciplinary Actions

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FTA or the integrity of FTA's management.

Additional information regarding the disciplinary history of FTA and its investment advisor representatives is available on the SEC's website; [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 10: Other Financial Industry Activities and Affiliations

### Broker-Dealer or Representative Registration

FTA does not employ any registered representatives of a broker/dealer or custodian.

### Futures or Commodity Registration

FTA is not registered or has an application pending to register as a futures commission merchant, commodity pool operator, or a commodity-trading advisor.

### Material Relationships Maintained by this Advisory Business and Conflicts of Interest

**FTA Insurances Services, LLC:** FTA Insurance Services, LLC is an affiliate of FTA. Certain investment advisory representatives ("IAR") are also registered, in their separate capacity, as an insurance agent. When acting in their separate capacity as an insurance agent, they may sell, for a commission, disability, long-term care, life insurance, annuities and other insurance products. The commission compensation is paid by the insurance sponsor or underwriting company. The receipt of commissions creates a financial incentive to recommend products for which the IAR is paid a commission in their capacity as an insurance agent. Consequently, the advice rendered may be biased. FTA clients are never obligated to purchase any insurance or annuity products.

**RIA Compliance Services, LLC:** RIA Compliance Services, LLC ("RIACS") is an affiliate of FTA. RIACS provides compliance support services to IA Firms who are part of FTA's Managed Money Program. RIACS charges a monthly fee. RIACS charges a monthly fee which is in addition to the sub-advisory fees charged by FTA to participating IA Firms.

**BHFM, LLC:** BHFM, LLC is an affiliate of FTA. BHFM is an insurance field marketing organization ("FMO"). A FMO acts as a wholesaler of insurance products, including annuities, to independent insurance agents across the

country. Some of the independent insurance agents who use BHFMs wholesaler services also participate in FTA's Managed Money Program. BHFMs receives a sales commission direct from the insurance or annuity underwriter for product sales made by agents using its wholesale services. The wholesale sales commissions paid to BHFMs are in addition to the sub-advisory fees charged by FTA to participating IA Firms.

BHFMs also provides sales training and support to insurance agents and IAR's from participating IA Firms. BHFMs does not charge additional fees for those services.

BHFMs Media, LLC: BHFMs Media provides commercial and digital marketing support to BHFMs agents. This support includes purchasing radio advertising time and digital ad placement. Other services include radio and video production, and script writing for radio programs or podcasts. BHFMs Media charges a fee for its services in addition to its sub-advisory fee for IA Firms.

David Scott Brooks is the sole owner of FTA, FTA Insurance Services, LLC, and RIA Compliance Services, LLC. He is the majority owner of BHFMs, LLC and BHFMs Media, LLC. FTA Insurance Services, LLC sells insurance and annuity products to FTA clients. RIA Compliance Services, LLC, BHFMs, LLC and BHFMs Media, LLC do not provide services to FTA clients. These entities provide services to unaffiliated investment advisers and independent insurance agents.

Gordon Haave is a minority owner of BHFMs, LLC and BHFMs Media, LLC. BHFMs, LLC and BHFMs Media, LLC do not provide services to FTA clients. These entities provide services to unaffiliated investment advisers and independent insurance agents.

The use of any of the aforementioned companies are not required in order to be either an FTA client or use its Managed Money Program.

#### Recommendations or Selections of Other Investment Advisors and Conflicts of Interest

FTA does not recommend or select other registered investment advisors.

#### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Code of Ethics Description**

FTA has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The Code establishes rules of conduct for its employees and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code contains general ethical principles and personal securities reporting provisions. In summary, the Code prohibits employees from taking inappropriate advantage of their positions and the access to information concerning any investments or investment strategies for personal gain or in a manner detrimental to the interests of FTA clients.

The Code of Ethics further includes FTA's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. FTA requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.

Any individual violating the Code of Ethics may be subject to discipline as deemed appropriate, including verbal reprimand, letter of censure or suspension, termination or disgorgement of any profits received as a result of the breach.

FTA will provide a copy of its Code of Ethics upon request.

#### Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

FTA does not maintain a material financial interest in any securities or issuer of securities.

FTA does not maintain proprietary trading accounts. FTA has no material financial interest in any securities being

purchased or sold in any client account(s).

## Item 12: Brokerage Practices

### Best Execution

Best execution does not necessarily mean the lowest achievable commission costs. FTA places significant importance to qualitative execution, meaning the trade execution is consistent with its fiduciary duty. The quality and availability of the trading platform is essential to FTA's service arrangements and capabilities. FTA relies on the ability of the custodian to provide execution services at the best prices available to it.

### Selection of Broker/Dealers and Custodians

FTA seeks to recommend a broker-dealer/custodian that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared with other available third-party providers and their services. FTA considers a wide range of factors, including:

- Capability to execute, clear, and settle trades (buy and sell securities for your account) itself or to facilitate such services.
- Capability to facilitate timely transfers and payments to and from accounts.
- Availability of investment research and tools that assist us in making investment decisions. - Quality of services.
- Competitiveness of the price of those services and willingness to negotiate the prices.
- Reputation, financial strength, and stability.

### Directed Brokerage

FTA requires clients to use either Interactive Brokers, LLC or TD Ameritrade as their account custodians. This includes both its retail asset management services and its sub-advisory services. By requiring clients to use a particular custodian, FTA may not achieve the most favorable trade execution or lowest custodial fees available. However, for operational efficiencies, FTA requires the use of either of the aforementioned qualified custodians.

### Soft Dollar Arrangements

FTA does not participate in a soft dollar arrangement with any custodian. The SEC defines soft dollar practices as an arrangement under which products or services other than execution services are obtained by FTA from or through a broker-dealer in exchange for directing client transactions to the broker-dealer.

### Principal Trading and Agency Cross Trades

FTA does not engage in principal trading or agency cross trading transactions.

## Item 13: Review of Accounts

### Periodic Review of Client Accounts or Financial Plans

FTA continuously supervises client accounts and reviews client accounts not less than quarterly or upon the specific request of the client. Off-cycle reviews may be triggered by material events, including, but not limited to, changes of financial circumstances, additions or subtractions of client assets, account drift or variance from stated account allocation, financial market conditions, or the prevailing political environment.

### Regular Reports Provided to Clients

Clients may receive performance or other reports directly from FTA. FTA encourages its clients to compare any reports it provides against the account statements provided by the custodian. Should there be a question or concern regarding any report or statement, the client should contact FTA or the account custodian.

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

### Economic Benefits Provided to FTA from External Sources

FTA does not receive any economic benefits from external sources.

### Payments for Client Referrals

Presently, FTA has no referral arrangement with any third-party. However, in the future FTA may enter into agreements to pay referral fees. Any future referral program will be in accordance with Rule 206 (4)-3 of the Investment Advisors Act. Any referral fees will be calculated based on a percentage of the assets under management from the referred client account.

## **Item 15: Custody**

FTA does not maintain physical custody of client securities; an independent qualified custodian maintains custody of client securities. Clients will receive statements from the custodian not less than quarterly. FTA urges its clients to compare the account statements they receive from their custodian to the reports provided by FTA. Presently, FTA uses two custodians to maintain client securities, Interactive Brokers, LLC and TD Ameritrade. Custodial fees are outlined in their respective custodial agreement executed by the client.

## **Item 16: Investment Discretion**

FTA requires discretionary authority to determine which securities and the amounts of securities that are bought and sold on behalf of its clients. FTA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Clients have the ability to place reasonable restrictions on certain assets held in their custodial accounts. Any such restrictions placed on FTA's discretionary authority shall be set forth in writing or included as an attachment to the IAA.

## **Item 17: Voting Client Securities**

Although FTA has discretionary authority with respect to the acquisition and disposition of client securities, FTA does not take responsibility for voting proxies on the behalf of its clients. Clients should expect to receive proxy materials directly from the custodian.

Clients should be aware that FTA will neither advise nor act on behalf of the client in legal proceedings involving securities are held or were previously held in the client's account(s), including, but not limited to, the filing of "Proofs of Claims" in class action settlements.

## **Item 18: Financial Information**

Registered investment advisors are required in this item to provide you with certain financial information or disclosures about their financial condition. FTA has no financial commitment that impairs its ability to meet contractual and fiduciary issue commitment to clients and has not been the subject of a bankruptcy petition.