

BDFS Capital, LLC

Wrap Fee Program Brochure

This wrap fee program brochure provides information about the qualifications and business practices of BDFS Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (302) 265-2236 or by email at: jeff@bdfsmail.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BDFS Capital, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. BDFS Capital, LLC's CRD number is: 287680.

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

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Item 2: Material Changes

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

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

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Item 4: Services Fees and Compensation

BDFS Capital, LLC (hereinafter “BDFS”) offers the following services to advisory clients:

A. Description of Services

BDFS participates in and sponsors wrap fee programs, which means BDFS will wrap third party transaction fees together with its management fee for wrap fee portfolio management accounts. BDFS will charge clients one fee and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that BDFS has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

The fee schedule is set forth below:

| Total Assets Under Management | Annual Fees |
|-------------------------------|-------------|
| \$0 - \$99,999 | 1.50% |
| \$100,000 - \$249,999 | 1.25% |
| \$250,000 - \$999,999 | 1.00% |
| \$1,000,000 - \$2,499,999 | 0.90% |
| \$2,500,000 - \$4,999,999 | 0.75% |
| \$5,000,000 - AND UP | 0.50% |

These fees are negotiable depending upon the needs of the client and complexity of the situation and the final fee schedule is attached as Exhibit II of the client contract. Advisory fees are withdrawn directly from the client’s accounts with client written authorization.

Once the advisory relationship begins, the first client invoice will be billed at the beginning of the second month of service. The total billed asset value for that initial payment will be equal to the sum of (a) the average-daily-balance of the first month and (b) the total value of the account on the first day of the second month, with that combined fee covering BDFS’ services for both the first month and second month. At the beginning of the third month of service, clients will follow BDFS’ standard billing practice: using the daily balance of a given month to calculate fees for the upcoming month of service, payable monthly in advance.

Refunds are given on a prorated basis, based on the number of days remaining in the billing period on the effective date of termination. The fee refunded will be the balance

of the fees collected in advance minus the daily rate* times the number of days in the billing period up to and including the effective date of termination. (*The daily rate is calculated by dividing the annual fee by 365).

Advisory fees are deducted directly from client accounts and BDFS will:

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

Clients may terminate the contract without penalty, for full refund, within five business days of signing the contract. Thereafter, clients may terminate the contract with thirty days' written notice.

B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

C. Additional Fees

Clients who participate in the wrap fee program will not have to pay for transaction or trading fees except for trades executed away from custodian. However, clients are still responsible for all other account fees, such as annual IRA fees to the custodian, transition fees if the account is moved to another broker, charges imposed directly by a mutual fund or exchange traded fund (i.e. fund management fees and other fund expenses), 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.

D. Compensation of Client Participation

Neither BDFS, nor any representatives of BDFS receive any additional compensation beyond advisory fees for the participation of clients in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice and brokerage services. Therefore, BDFS may have a financial incentive to recommend the wrap fee program to clients.

Item 5: Account Requirements and Types of Clients

BDFS generally provides its wrap fee program services to the following types of clients:

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

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

Item 6: Portfolio Manager Selection and Evaluation

A. Selecting/Reviewing Portfolio Managers

BDFS will not select any outside portfolio managers for management of this wrap fee program. BDFS will be the sole portfolio manager for this wrap fee program.

Standards Used to Calculate Portfolio Manager Performance

BDFS will use industry standards to calculate portfolio manager performance.

Review of Performance Information

Neither BDFS nor a third party conducts a review of portfolio manager performance.

B. Related Persons

BDFS and its representatives serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses BDFS' management of the wrap fee program. However, BDFS addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

C. Advisory Business

BDFS offers portfolio management services solely through its wrap fee program as discussed in Section 4 above.

Wrap Fee Portfolio Management

BDFS offers ongoing portfolio management services based on the individual goals,

objectives, time horizon, and risk tolerance of each client. BDFS creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management includes, but is not limited to, the following:

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

BDFS evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. BDFS will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Performance-Based Fees and Side-By-Side Management

BDFS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Services Limited to Specific Types of Investments

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

Client Tailored Services and Client Imposed Restrictions

BDFS offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

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

Wrap Fee Programs

BDFS sponsors and its personnel act as portfolio managers for this wrap fee program. As such, a portion of the fees paid by the wrap account program will be given to BDFS as a management fee.

Amounts Under Management

BDFS has the following assets under management:

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

Methods of Analysis and Investment Strategies

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

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

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

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

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

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

BDFS uses long term trading and short-term trading.

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

Material Risks Involved

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

Fundamental analysis concentrates on factors that determine a company's value and

expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

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

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

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

Long term trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

Selection of Other Advisers: Although BDFS will seek to select only money managers who will invest clients' assets with the highest level of integrity, BDFS' selection process cannot ensure that money managers will perform as desired and BDFS will have no control over the day-to-day operations of any of its selected money managers. BDFS would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulatory breaches or fraud.

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

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

Risks of Specific Securities Utilized

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

Mutual Funds: Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

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

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

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

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

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

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

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

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

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

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

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Voting Client Proxies

BDFS will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

Item 7: Client Information Provided to Portfolio Managers

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

Item 8: Client Contact with Portfolio Managers

BDFS places no restrictions on client ability to contact its portfolio managers. BDFS' representative, Jeffrey Puglia, can be contacted during regular business hours and contact information is on the cover page of Jeffrey Puglia's Form ADV Part 2B brochure supplement.

Item 9: Additional Information

A. Disciplinary Action and Other Financial Industry Activities

Criminal or Civil Actions

There are no criminal or civil actions to report.

Administrative Proceedings

There are no administrative proceedings to report.

Self-regulatory Organization Proceedings

There are no self-regulatory organization proceedings to report.

Registration as a Broker/Dealer or Broker/Dealer Representative

As registered representatives of M.S. Howells & Co, a broker-dealer firm, supervised persons of BDFS accept compensation for the sale of securities.

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

Neither BDFS nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor.

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

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

representative.

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

Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

All assets are managed by BDFS management.

B. Code of Ethics, Client Referrals, and Financial Information

Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

Recommendations Involving Material Financial Interests

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

Investing Personal Money in the Same Securities as Clients

From time to time, representatives of BDFS may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of BDFS to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. BDFS will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of BDFS may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of BDFS to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, BDFS will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least quarterly only by Jeffrey Puglia, President, and Mark Nehra, Chief Compliance Officer. Jeffrey Puglia is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at BDFS are assigned to this reviewer.

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

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

Content and Frequency of Regular Reports Provided to Clients

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

BDFS does not receive any economic benefit, directly or indirectly from any third party for advice rendered to BDFS clients.

Other Economic Benefits

Charles Schwab & Co., Inc. Advisor Services provides BDFS with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research,

including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For BDFS client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to BDFS other products and services that benefit BDFS but may not benefit its clients' accounts. These benefits may include national, regional or BDFS specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of BDFS by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist BDFS in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of BDFS' fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of BDFS' accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to BDFS other services intended to help BDFS manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to BDFS by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to BDFS. BDFS is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

Compensation to Non – Advisory Personnel for Client Referrals

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

Balance Sheet

BDFS does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

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

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

Bankruptcy Petitions in Previous Ten Years

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