

# *Lottsa*

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**Form ADV Part 2A  
Brochure**

**March 23, 2017**

This Brochure provides information about the qualifications and business practices of Lottsa Financial Services, Inc., the Adviser. If you have any questions about the contents of this Brochure, please contact us at (612) 338-7487. 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 Adviser is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Adviser is 118995.

Adviser is an investment adviser registered with the Minnesota Department of Commerce. Registration does not imply a certain level of skill or training.

## **Item 2 Material Changes**

The purpose of this Item 2 is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure filed February 5, 2016.

Since the filing of our last annual updating amendment, dated February 5, 2016 we have no material changes to report.

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## **Item 4 Advisory Business**

Lottsa Financial Services, Inc. ("LFS" or "we"), which began in 2001, is owned by firm President, Scott Beers. It is a fee-only, comprehensive financial planning and investment management firm. LFS provides comprehensive Financial Planning and other related financial advisory services to our clients ("clients, you, your") including those listed below. LFS believes that comprehensive financial planning is an integral component or basis of investment advice, and as such, encourages clients to hire us as both your financial planner and portfolio (or asset) manager in an integrated package.

We offer you three different service options; with different fee schedules (see Item 5):

### **Option 1 - Hourly Consultation/Financial Planning**

You may have specific financial needs and prefer an analysis of these specific needs. Typically you have a limited number of critical issues and specific areas of concern. The "Hourly Consultation" is intended to meet the specific needs identified and is not designed to be a Comprehensive Financial Plan (the following topics would be considered "a la carte"). Examples of "Hourly Consultation" topical services include:

- Investment strategies,
- Retirement Income Planning,
- Education Planning,
- Business Succession Planning,
- Insurance and Risk Planning,
- Income Tax Planning,
- Survivors Needs Analysis,
- Cash Management, or
- Net Worth Evaluation

These services are typically short-term in duration with limited financial planning and financial analysis. The length of time to complete these engagements, the number of meetings, and the deliverable package will be discussed and agreed to, on a case-by-case basis, prior to LFS agreeing to or initiating services. During the "Hourly Consultation" engagement there will be a minimum of two (2) meetings - initial scope review/data gathering and presentation of recommendations; however the total number of meetings is dependent on the agreed upon scope of our work.

### **Option 2 - Investment Management (also known as Portfolio Management)**

Investment Management is the management by LFS of one or more of client portfolios through asset allocation and rebalance methodology. LFS typically provides Investment Management services on a discretionary basis, although it may agree to accept accounts on a non-discretionary basis. In a discretionary account, LFS will place trades in its discretion, without obtaining client consent to each transaction, guided by the client's Investment Policy Statement ("IPS") described below.

During its initial data-gathering process, LFS assists the client in establishing the account's investment goals and objectives, investment time horizon, risk tolerance, and liquidity needs (all the "Suitability Information"), as well as any restrictions the client wishes to impose on the account's investments. As appropriate, LFS also reviews and discusses the client's prior investment history, as well as family composition and background.

For clients who request Comprehensive Financial Planning services and Investment Management services, LFS will typically conduct the financial planning services prior to the Investment Management services. Clients are not required to obtain Comprehensive Financial Planning services in order to obtain Investment Management services, nor are they required to obtain Investment Management services to obtain Comprehensive Financial Planning Services; all services may be obtained separately at the client's discretion.

Through the personal discussions with the client, LFS develops the IPS for the client's approval and adoption. A single IPS may cover multiple accounts for the same client.

The purpose of the IPS is to establish a clear understanding as to the portfolio or investment guidelines applicable to each account's investment portfolio. It is the intent of the IPS to be sufficiently specific to be meaningful, but also flexible enough to be practical. The IPS is intended to be a summary of an investment philosophy that provides guidance for LFS in selecting, evaluating, and monitoring the account's investment options. As such, for each account covered by the IPS will:

- Establish reasonable expectations and guidelines in the investment of the account's assets, including any agreed portfolio or asset allocation;
- Provide an understanding of the account's Suitability Information;
- Encourage effective communication between LFS and the client; and
- Create the framework for a well-diversified asset mix consistent with the account's Suitability Information to generate acceptable long-term returns commensurate with the level of risk suitable for the account.

LFS and the client will periodically review the client's account(s) to determine whether risk and return objectives or investment policies need revision.

Many clients come to LFS because of our affinity for Socially Responsible Investing (SRI). The mix of such funds in a portfolio is discussed with clients to identify their preferences. The primary social screens we utilize are:

- No Weapons,
- No alcohol, tobacco, gambling, or pornography,
- Pro-environmental, and/or
- Good governance

No client is required to utilize SRI investments and most clients have some positions that are not SRI. Clients may impose reasonable restrictions on investing in certain securities or types of securities. Such instruction will be documented in the IPS.

LFS requires each discretionary client to execute a Limited Power of Attorney ("LPOA") to evidence LFS authorization to execute trades. The LPOA grants LFS the authority to trade securities on behalf of the client's accounts (by placing the trades with a broker we select to execute the trade; in most cases the custodian of the account). We also require each client to execute an Investment Management Agreement, through which the client grants us the authority to have our advisory fees debited from the account upon our instructions to the custodian.

### **Option 3 - Comprehensive Financial Plan**

LFS offers Comprehensive Financial Planning, with or without Investment Management. In preparing a written Comprehensive Financial

Plan ("CFPlan"), LFS will typically schedule 2 to 4 meetings with the client; the number may vary depending on the client's unique facts and circumstances. LFS and client will enter into a written Comprehensive Planning Agreement.

Comprehensive Financial Planning is on-going and not a one-time process. We gather required information through in-depth personal interviews. The CFPlan begins with an analysis of the client's current financial condition, in tandem with explicit statements of the client's goals, financial status, tax status, future goals, return objectives and attitudes towards risk. Done properly, the result should be a map of how to achieve the client's desired goals. For many clients, Comprehensive Financial Planning encompasses the following areas:

- Personal: Family records, budgeting, personal liability, estate information and financial goals.
- Cash Flow: Current spending and anticipated future spending and how this relates to current and future needs.
- Education Funding: Funding alternatives and strategies to pay for elementary, secondary and post-secondary education.
- Death and Disability: Cash requirements at death or disability, including the needs of a surviving spouse or dependents. May include estate planning and income analysis.
- Retirement: Analysis of current strategies and investment plans to help achieve retirement goals.
- Income Taxes: Tax analysis of current position and options being considered.
- Estate Planning: Distribution of assets upon death and in anticipation of death.
- Investments: Analysis of investment alternatives and their effect on portfolio(s).
- Risk Management/Insurance: Asset Protection

We carefully review documents supplied by the client and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his or her attorney, insurance agent, or financial advisor.

Implementation of financial plan recommendations is entirely at the client's discretion. Client is under no obligation to effect any recommendations to purchase securities or insurance products, or any of the other recommendations made in the CFPlan. Neither LFS nor any of its employees sells any of such products. The client must locate a securities or insurance broker through which to implement such recommendations, if client decides, in client's discretion, to follow such recommendations.

Typically the financial plan is presented to the client within four months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **Assets Managed by LFS**

As of December 31, 2016, LFS managed \$25,684,015 of client assets, of which it managed \$10,723,853 on a discretionary basis, and \$14,960,162 on a non-discretionary basis.

## Item 5 Fees and Compensation

### Option 1 - Hourly Consultation/Financial Planning

The "Hourly Consultation" fee is negotiable (the charges are hourly only, billed in 3 minute increments) and depends on the amount and type of work to be performed. The number of hours to be spent is estimated on a case-by-case basis depending on the client's unique needs and objectives. Our standard billing rate for these services is \$200.00 per hour.

An initial deposit of \$500.00 is usually required. Fees will be invoiced periodically for the work performed to date. All payments are due net 15 days.

### Option 2 - Investment Management (also known as Portfolio Management)

Clients will pay LFS a quarterly Advisory Fee for its services in managing client assets, as provided in the Agreement for Investment Management Services (the "Management Agreement"). Advisory Fees are calculated and payable quarterly in advance according to the applicable Fee Schedule, based on the value of Managed Assets as of the last day of the preceding calendar quarter (or for the initial calendar quarter, the value of managed assets as of the last day of the initial quarter prorated beginning on the effective date of the Management Agreement). Advisory Fees will be due approximately the 15th business day of each calendar quarter. Advisory Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

Advisory Fees will be prorated on account additions or withdrawals in excess of \$100,000 based on the number of days services are (or are to be) provided.

Although client accounts are generally aggregated to determine the Advisory Fee Rate, there are situations (such as where a client chooses to have multiple investment strategies, multiple portfolio designs, multiple implementations and multiple reviews, rebalancings, reports, revisions, or reallocations) where client accounts will not be aggregated and each account will be treated separately for purposes of calculating the quarterly Advisory Fee. In that case, each such account will have its Advisory Fee Rate determined separately and its Advisory Fee calculated separately.

Client will authorize LFS to direct the qualified custodian to pay the Advisory Fees to LFS upon presentation of a debit request to the custodian and the client.

#### Maximum Advisory Fee Rate Schedule

##### Aggregate Account Value of All Managed Accounts

| Aggregate Value From | To          | Quarterly Fee % | Annual Fee % |
|----------------------|-------------|-----------------|--------------|
| \$ 1                 | \$ 100,000  | .3750%          | 1.50%        |
| \$ 100,001           | \$ 250,000  | .3125%          | 1.25%        |
| \$ 250,001           | \$1,000,000 | .2500%          | 1.00%        |
| \$1,000,001          | \$5,000,000 | .2000%          | 0.80%        |
| \$5,000,001          | And over    | .1750%          | 0.70%        |

Note: All fees paid to LFS are separate and distinct from the fees and expenses charged by mutual funds, exchange traded funds, certificates of deposit and similar securities. These holdings carry a variety of charges that may include, but are not limited to:

- fund management fees,
- custodian transaction fees,
- fund trading costs, and
- other fund operating expenses.

These fees and expenses are paid by shareholders of mutual funds, exchange traded funds and similar securities. LFS does not receive or participate in these additional fees and expenses you pay as a shareholder of these securities.

### **Option 3 - Comprehensive Financial Plan**

The Comprehensive Financial Plan fees are based on the anticipated amount of time and type of work to be performed. The current minimum fee for Comprehensive Financial Planning is \$2000 or 10 hours of time. The fee for our services is negotiable. As a result, LFS sometimes does not impose the minimum fee quoted above.

Financial plans can be complex. For a comprehensive plan and on-going service, planning fees may run as high as \$5,000 to \$10,000 per year depending on the client's facts, circumstances and complexity. The estimated hours and quarterly billings will be documented in the Comprehensive Planning Agreement. An initial deposit of \$500 is due upon signing contract. Additional fees due will be billed monthly, based on progress towards completion.

Clients for whom LFS provides both Comprehensive Financial Planning and Investment Management services will have a blended fee arrangement, which is normally less than if the services were obtained independently. The blended fee agreement is only offered to clients who maintain total assets under management of \$500,000 and greater. Under this arrangement, the fee for Comprehensive Financial Planning services is included in the fee for Investment Management services, which shall be negotiated with the client. In this structure, your Comprehensive Financial Planning fees are covered by the Investment Management fees. There will not be additional charges from LFS for financial planning.

If client terminates the Comprehensive Planning Agreement before the written plan is provided, LFS will bill client for the actual time spent on the plan through the date of termination. If the deposit was not all earned, LFS will refund the unused portion. If the deposit was used, LFS will bill client for additional time spent.

## **GENERAL INFORMATION**

**Limited Negotiability of Advisory Fees:** Although LFS has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the Advisor and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**Fees Deducted From Client Accounts:** Advisory fees for Investment Management services will be deducted from the custodial account; clients are not billed directly. Fees for financial planning and consulting services are billed directly to the client, except the hybrid fees, which are also deducted directly from the custodial account.



**Termination of the Advisory Relationship; Refunds:** An Hourly Consultation, Agreement for Investment Management Services, or Comprehensive Financial Planning Agreement may be terminated by the client or us at any time upon written notice to the other, as provided in such agreement. Any report due for a period prior to termination will be prepared and the client's final report will sent. If client terminates an agreement within five business days of the effective date of such agreement, Client shall receive a full refund of any prepaid fees. If an agreement is terminated more than five business days after the effective date, any prepaid fees shall be prorated based on the number of days the agreement was in effect during such quarter and the unused portion shall be refunded to Client within 30 days; any earned but unpaid advisory fees owed to LFS will be immediately due and payable upon termination; provided, for financial planning services, refunds shall be calculated based on the unearned portion of any prepaid fees based on the services LFS has actually rendered.

After an agreement has been terminated, client will be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by the custodian and any executing broker-dealer. Client will be responsible for monitoring all transactions and assets, and LFS shall not have any obligation to monitor or make recommendations with respect to client's account or assets.

**Risk of Liquidations to Pay Fees:** The custodian will be authorized to deduct the advisory fees directly from the client's account, without notice to the client. If sufficient cash is not available in the account to pay these fees when due, the custodian will liquidate securities selected by the custodian or LFS without prior notice to the client. The client may be charged an early redemption fee. If the liquidated securities have declined in value, the client will realize a loss and lose the opportunity for future appreciation of the securities.

**Mutual Fund and ETF Fees:** All fees paid to LFS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**ETF Expenses:** ETFs deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund. These internal expenses generally include recordkeeping fees, and transfer and sub-transfer agent fees, among others. Like mutual funds, ETFs could charge so-called "12b-1 Fees" to pay for costs related to distribution of shares and servicing of shareholders. However, ETFs rarely actually charge these fees. All of these costs represent indirect expenses that are charged to the fund's shareholders.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by the custodian and broker dealers for transactions in client's account. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to LFS's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** LFS is deemed to be a fiduciary to advisory clients that are invested in employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, LFS never receives commissions or 12b-1 fees.

**Purchases of Similar Products and Services from Other Firms:** Clients can generally purchase similar investment products or services through other firms that are not affiliated with us. Our advisory fees and the other costs of our program may be higher (or lower) than amounts charged by other advisers or financial firms for similar services and who may provide better (or worse) performance.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

LFS does not charge performance-based fees.

## **Item 7 Types of Clients**

LFS provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans
- Trusts and Estates.

LFS's minimum annual fee for Investment Management services is \$750 (\$187.50 per quarter). LFS may impose a minimum fee of \$2,000 for comprehensive financial planning services. There is a minimum account size of \$500,000 for a client to receive both a Comprehensive Financial Plan and Investment Management services for a blended fee, which will be at a negotiated rate.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or management of client assets. We may not use all methods of analysis in each service offered, as some methods are more applicable to different types of management.

**Asset Allocation.** LFS's investment philosophy is based on Modern Portfolio Theory, which holds that asset allocation is the primary determinant of portfolio performance. LFS calculates a "target asset allocation" for the client, which is a portfolio designed to accommodate client's unique constraints, and expected to achieve client's rate-of-return goal, while minimizing unnecessary risk.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals. We address the market movement issues through the use of periodic rebalancing.

LFS typically implements each client's target asset allocation using no-load or load-waived institutional asset class mutual funds. Depending on the particular asset class, LFS may use "Index" or "actively managed" mutual funds, ETFs, individual securities and non-traditional investment products. It is not LFS's typical investment strategy to attempt to time the market or select individual securities; however, with Client's written authorization, LFS may change its investment strategy to accommodate special situations such as low-basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, and special tax situations. Clients generally authorize LFS to use its discretion (based on investment costs, tax efficiency, product availability, and new product introductions) when implementing a client's target asset allocation.

LFS reviews a client's portfolio on a periodic basis by measuring the risk level, rate-of-return, and market value. Rebalancing is typically triggered by account variances (as established by LFS, depending on the asset class) from target asset allocations, evaluated by weighing the benefits of the rebalancing against transaction costs. Periodically, and following significant market moves that cause the value of an asset class to exceed the target asset allocation to be outside the IPS asset class limits, LFS may rebalance the client's actual portfolio to the client's target asset allocation identified in the IPS, if the trades are expected to result in a benefit to our client.

Periodically, LFS meets with the client to discuss any changes that may impact the Client Risk Tolerance or Asset Allocation. Clients communicate their personal and financial changes to LFS as they occur; LFS may update their financial status, objectives and constraints. All of this is used to update the client's investment management strategy, risk tolerance level, and Client's written IPS. LFS calculates a "target asset allocation" designed for the client's unique objectives and constraints.

**Mutual Fund or ETF Analysis.** When we analyze mutual funds or ETFs, we look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. We may not use all strategies listed in each service offered, as some strategies are more appropriate for different types of management.

**Long-term purchases.** When utilizing this strategy, we purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase. In view of LFS's general investment strategies emphasizing long-term investments in mutual funds and ETFs, clients should not expect LFS to utilize this strategy except infrequently, if at all.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. The value of securities in the portfolio will go up and down. Consequently the overall valuation of the account may decline and you can lose money. The stock market is subject to significant fluctuations in value as a result of political, economic, and market developments. If the stock market declines in value, the portfolio is likely to decline in value. Because of changes in the financial condition or prospects of specific markets, sectors, regions, industries, or companies, the securities selected by LFS may decline in value, causing the account to decline in value. Investments are not deposits in a bank and are not insured or guaranteed against loss. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

We are required to disclose any relationships or arrangements involving the firm and related persons, including arrangements involving an accountant or accounting firm.

LFS's owner and President, Scott Beers, is owner and President of accounting firm, Lotts Tax and Accounting Services, Inc. ("LTAS"), which is a sister corporation to LFS. Mr. Beers recommends the services of LTAS to LFS clients. The economic benefits derived by Mr. Beers from the fees paid by

advisory clients to LTAS creates a conflict of interest because they provide an incentive for Mr. Beers to recommend such services based on such benefits rather than the needs of the clients in receiving accounting services at reasonable costs.

LFS has adopted the following steps to address the conflict of interest in this situation:

- LFS discloses in this Brochure the existence of the conflict of interest that arises from the incentive Mr. Beers has to earn additional compensation from recommending the accounting services of LTAS, and Mr. Beers' obligation to act consistently with our fiduciary duty;
- LFS discloses in this Brochure that clients have the right to decide whether or not to act on any such recommendation by Mr. Beers, or to engage another accountant or accounting firm of their choosing, which may charge less (or more) for their services; and
- LFS educates its employees regarding the responsibility of a fiduciary to act in the best interest of the client, and their obligation when recommending the services of LTAS, to inform the client of the relationship between Mr. Beers and LTAS, the existence of the conflict, and the client's unrestricted right to choose to act on such recommendation or to engage another accountant or accounting firm of their choosing, which may charge less (or more) for its services.

Mr. Beers is also a partner in Triangle Building Partnership, LLP, a real estate limited liability partnership. LFS does not solicit clients for investment in this limited liability partnership.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

LFS and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Clients should understand that while our Code of Ethics and policies and procedures provide for oversight and supervision of activities, transactions, accounts, reporting, and other matters by the CCO or the President, Mr. Beers currently serves as both the CCO and President. No officer or other employee is sufficiently senior to supervise Mr. Beers.

LFS's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our clients and prospective clients. You may request our Code of Ethics by calling LFS at (612) 338-7487.

LFS and individuals associated with our firm are prohibited from engaging in principal transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a security which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may knowingly purchase or sell any security (other than a mutual fund or other security not considered to be a reportable security under our Code of Ethics) immediately prior to a transaction(s) being immediately implemented for an advisory account.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating accounts will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, in addition to the policies described above, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No employee of our firm may put his or her own interest above the interest of an advisory client.
2. No employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. Our firm requires prior approval for any IPO or private placement investments by access persons of the firm.
4. We maintain records of the reportable securities holdings for our firm and its access persons. These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or designee.
5. We have established procedures for the maintenance of all required books and records.
6. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
7. All of our employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each employee.
9. We have established policies requiring the reporting of Code of Ethics violations.
10. Employees who violate any of the above restrictions may be subject to sanctions.

## **Item 12 Brokerage Practices**

### ***Recommending Custodians and Brokers***

Client assets must be maintained in an account maintained with a "qualified custodian." Adviser requires a custodian which is a broker-dealer or affiliated with a broker-dealer. LFS requires clients to use TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"). TD Ameritrade is an independent broker-dealer not affiliated with Adviser. TD Ameritrade is referred to as "Custodian."

Custodian will hold client assets in a brokerage account and buy and sell securities when LFS instructs. While LFS requires TD Ameritrade as custodian/broker, client will ultimately decide whether to do so by entering into an account agreement directly with the Custodian to open the custodial account. LFS does not open the custodial account for the client. If a Client does not wish to place their assets with TD Ameritrade, LFS will not manage the Client's account. Not all advisers require Clients to use a particular broker-dealer or other custodian selected by the adviser. Even though Client's account is maintained at a particular Custodian, under certain circumstances LFS may still be able to use other brokers to execute trades for the Client's account, as described below.

**How LFS Selects Brokers/Custodians.** LFS seeks custodians who are brokers and who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. LFS considers a wide range of factors, including, among others, the following:

- trade execution services and custodial services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for client's account);
- capabilities for transfers and payments to and from accounts (wire transfers, check requests, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);
- availability of investment research and tools that assist LFS in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- their prior service to LFS and its other clients;
- ability to establish a Roth 401(k); and
- availability of other products and services that benefit LFS, as discussed below (see "Products and Services Available to Us from Custodian").

**Client Custody and Brokerage Costs.** TD Ameritrade generally does not charge clients separately for custody services, but is compensated by charging client accounts commissions or other fees on trades that the Custodian executes or that settle into the account maintained with the Custodian. The Custodian charges the client a flat dollar amount as a "prime broker" or "trade away" fee for each trade LFS has executed by a different broker-dealer but where the securities bought or the sales proceeds are deposited (settled) into the client's account with the Custodian. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize client trading costs, LFS has the Custodian execute most trades for the client's account.

**Products and Services Available to Us from Custodian.** LFS participates in the institutional advisor programs offered by TD Ameritrade. Through these programs, TD Ameritrade offers to independent investment advisors various services not generally available to retail investors, including custody of securities, trade execution, clearance and settlement, and access to mutual funds otherwise only available to institutional investors. TD Ameritrade also makes available various support services. Some of those services help us manage or administer our Clients' accounts while others help us manage and grow our business. Custodian's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a minimum amount of client assets in accounts with the Custodian.

**Services that Benefit Clients.** Custodian's brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the Custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment, and access to mutual funds with no transaction fees and to certain institutional money managers which may result in lower Client expenses. These services generally benefit Clients and their accounts.

**Services that May Not Directly Benefit Clients.** Some of the useful benefits and services made available by the Custodian through their institutional programs may benefit LFS but may not benefit all or any Client accounts. When LFS selects or recommends TD Ameritrade, LFS may take into consideration whether the Custodian provides LFS with such benefits and services. Clients pay the Custodian trading fees to execute transactions. These products and services assist LFS in managing and administering Client accounts. They include investment research-related products and tools, both the Custodian's own and that of third parties. LFS may use this research to service all or some substantial number of Clients' accounts, including accounts not maintained at the particular Custodian. In addition to investment research, the Custodian also makes available software and other technology that:

- provides access to Client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution, including access to a trading desk serving LFS's Clients;
- provides access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the aggregated trade orders to multiple client accounts);
- provides pricing and other market data;
- facilitates deduction of Advisory Fees directly from Clients' accounts;
- provides access to an electronic communications network for Client order entry and account information; and
- assists with back-office functions, recordkeeping and Client reporting.

**Services that Generally Benefit Only LFS.** Custodian also offer other services intended to help LFS manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, marketing, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Custodian may provide some of these services directly, or in other cases, will arrange for third-party vendors to provide the services to LFS. They may also discount or waive fees for some of these services or pay all or a part of a third party's fees. A Custodian may also provide LFS with other benefits such as occasional business entertainment of LFS personnel.

**Brokerage Services Do Not Benefit Specific Accounts.** LFS does not attempt to put a dollar value on the useful benefits and services each account receives from the Custodian, nor does it attempt to allocate or use the economic benefits and services received from Custodian for the benefit of the accounts maintained with that Custodian, or attempt to use any particular item to service all accounts. Some of the products and services made available by Custodian may benefit LFS but may not benefit all or any of LFS's Client accounts. The benefits and services LFS receives from Custodian are used to help LFS to fulfill its overall Client obligations.



**LFS Interest in the Custodian's Services.** The availability of these services from the Custodian benefits LFS because it does not have to produce or purchase them.

***Best Execution***

As a fiduciary, LFS has an obligation to seek to obtain best execution of advisory Clients' transactions under the circumstances of the particular transaction. LFS seeks to execute Client transactions in such a manner that the Client's total cost or proceeds in each transaction is the most favorable under the circumstances. LFS has evaluated the full range of brokerage services offered by Custodian and considers it to have low transaction fees, good execution capabilities and financial stability, compared to comparable brokers that offer institutional advisory platforms for the types of securities and instruments that LFS uses in its strategies. If a Client establishes a brokerage/custodial account with Custodian, LFS will place all orders pursuant to its investment determinations on behalf of Client's portfolio through the Custodian. While LFS believes the commissions and fees charged by TD Ameritrade are competitive, transactions may not always be executed at the lowest available commission rate.

***Soft Dollars***

LFS generally does not engage in formal soft dollar arrangements where LFS commits to direct portfolio brokerage commissions to a broker-dealer in return for specified brokerage or research services that LFS may use in making investment decisions for its Clients. However, LFS does receive the useful benefits and services described above received from the Custodian.

Section 28(e) of the Securities Exchange Act of 1934 provides that an advisor does not breach fiduciary duties under state or federal law solely by causing its Clients' accounts to pay brokerage commissions in excess of the amount another broker-dealer would have charged if the adviser determines in good faith that the commissions are reasonable in relation to the value of brokerage and research services received. It is LFS's policy to operate within the safe harbor of Section 28(e).

These services are not contingent upon LFS committing any specific amount of business to a Custodian in trading commissions or assets in custody. LFS has an incentive to recommend that Clients maintain their accounts with TD Ameritrade based on LFS's interest in receiving the services described above that benefit LFS's business rather than based on the interest of its clients in receiving the best value for custody services and the most favorable execution of their brokerage transactions. The availability of these useful services creates a financial incentive for LFS to recommend the Custodians for Clients accounts so LFS can continue to receive these services and avoid paying for them separately at LFS's own expense. Our interests conflict with our Clients' interests in obtaining the lowest possible execution costs. This is a conflict of interest. LFS believes, however, that its recommendation and selection of TD Ameritrade as custodian and broker is in the best interests of its clients. Our decision to select TD Ameritrade is primarily supported by the scope, quality and price of its services (based on the factors discussed above - see "How We Select Brokers/Custodians") and not the services that benefit only LFS.

Although we strive to address this conflict in a manner consistent with our fiduciary duty, and we disclose this conflict to our clients, our judgment may be affected such that our efforts may not be entirely successful. To help mitigate this conflict, we have adopted procedures to analyze periodically the services and programs provided by or available through our brokers, to evaluate the usefulness of these services in relation to the costs of the services, and to assess the overall quality of the services.

### ***Lower Costs Available for Similar Services***

We offer no assurance that the commissions or investment expenses Clients will incur by using TD Ameritrade as their custodian and broker will be as low as the commissions or investment expenses charged by other firms for similar services. It is likely that lower costs may be available for similar services from other advisers, brokers or custodians, and by paying lower costs, Clients could improve their long-term performance.

### ***Order Aggregation***

LFS may aggregate orders for the purchase or sale of securities on behalf of the accounts it manages. Proprietary accounts of our firm or its supervised persons (employees) may participate in block orders on the same basis as Clients. The ability to have orders aggregated into a "block order" with other Clients can offer economic benefits, including the potential for volume discounts on their orders, timelier execution, a reduction of adverse market effects that can occur from separate, competing orders, and mutual sharing of transaction costs. For accounts that purchase individual securities, such as stocks or bonds, the broker may be able to negotiate price improvements for block orders.

Block orders are typically placed through an "average price account" or similar account such that transactions for accounts participating in the order are averaged as to price (which will be NAV for all mutual fund securities), and the securities purchased or net proceeds received are allocated pro rata among the accounts in proportion to their respective orders placed that trading day. For mutual fund orders, if no economic benefit is received from the use of block orders, they will not be used.

Typically, partial fills will be allocated among accounts in proportion to the total orders participating in the block, unless we determine that another method of allocation is equitable (such as an alphabetical rotation, rotation based on the Clients of a particular Representative, or other method). Exceptions may be granted or allowed due to varying cash availability, divergent investment objectives, existing concentrations, tax considerations, performance relative to a benchmark, performance relative to other accounts in the same strategy or portfolio, or a desire to avoid "odd lots" (an amount of a security that is less than the normal unit of trading for that security).

### ***Trade Errors***

It is LFS's policy for Clients to be made whole following a trade error. If a trade error results in a loss, LFS will make the Client whole and absorb the loss. If a trade error results in a gain, the Client shall generally keep the gain. The Custodians may have a policy where an adviser is not required to reimburse trade errors resulting in a loss below a de minimis amount (e.g., \$100). In such circumstances, the Custodian will absorb the loss and there is no financial impact to the Client. Likewise, if a trade error results in a gain less than a de minimis amount (e.g., \$100), the Custodian will keep the gain or donate it to charity. In all other circumstances, trade errors will be corrected as described above.

## **Item 13 Review of Accounts**

### **Portfolio Management**

**Reviews:** While the underlying securities within Portfolio Management accounts are continually monitored, these accounts are reviewed quarterly by the manager. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**Reports:** Clients receive monthly statements and confirmations of transactions from their broker-dealer and custodian; LFS does not provide additional reports unless specifically provided in writing in the Agreement for Investment Management Services.

## **Financial Planning Services**

**Reviews:** We do not provide reviews as part of the Comprehensive Financial Planning Agreement. Reviews will only be provided upon a separate agreement between LFS and the client.

**Reports:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for or agreed to from time to time.

## **Consulting Services**

**Reviews:** Typically no formal reviews will be conducted for Consulting Services clients unless such reviews are specifically included in the written agreement for an additional fee.

**Reports:** Clients will receive a written report only as provided in the agreement for consulting services.

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

### **Client Referrals**

LFS does not pay any person or entities for client referrals, including Lotts Tax and Accounting Services, Inc. LFS has a sister company, Lotts Tax and Accounting Services, Inc., that provides tax services to many of our clients for separate and typical fees (that clients would pay for tax and accounting services). These fees are not shared with LFS, but do benefit the common owner of LFS and LTSA.

### **Other Compensation**

As disclosed under Item 12 above, LFS participates in TD Ameritrade's institutional customer program and LFS recommends TD Ameritrade to Clients for custody and brokerage services. There is no direct link between LFS's participation in the program and the investment advice it gives to its clients, although LFS receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. The benefits received by LFS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, LFS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by LFS or its related persons in and of itself creates a conflict of interest and may influence LFS's choice of TD Ameritrade for custody and brokerage services.

## **Item 15 Custody**

LFS is deemed to have "custody" of the assets of the client accounts from which it is authorized to deduct fees, as authorized by the client's advisory agreement and Limited Power of Attorney. Assets will be held in the name of the client by the Custodian. Please refer to Item 5 for information regarding deduction of advisory fees from client accounts.

The Custodian will deliver account statements directly to the client on at least a quarterly basis. LFS does not provide statements or reports to clients.

LFS urges clients to review the account statements from the Custodian to identify any discrepancies. Report any issues promptly to LFS using the contact information provided on the front of this Brochure.

## **Item 16 Investment Discretion**

Clients who request Investment Management services will grant LFS authority to manage their Investment Management accounts on a discretionary basis, in which case we place trades in a client's account without contacting the client prior to each trade. Our discretionary authority includes the ability to determine the specific securities and amount to buy or sell, the price, and the timing of each transaction. LFS will also have the discretion to select the broker-dealer where to place the orders for the client's account and the commissions to pay for the transactions. In most cases, the broker will be the Custodian and the commission rate will be the rate at which LFS is able to transact trades for its client accounts.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and will be asked to sign an additional Limited Trading Authorization, if we deem appropriate. Clients may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions. As discussed in Item 4, we may elect to accept an Investment Management account to be managed on a non-discretionary basis, in which case we will obtain client consent (other than for time and price) prior to placing orders.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

LFS has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

LFS has not been the subject of a bankruptcy petition at any time.

## **Item 19 Requirements for State-Registered Advisors**

Please refer to the accompanying Form ADV Part 2B Brochure Supplement of Scott Beers for the information required by Item 19.

A. Please refer to Item 2 of the attached Form ADV Part 2B Brochure Supplement for the education and business background of Adviser's principal executive officer and management person, Scott Beers.

B. LFS is not actively engaged in any other business (other than giving investment advice). Please refer to Item 4 of the attached Form ADV Part 2B Brochure Supplement for the business activities (other than giving investment advice) of Mr. Beers.

C. Neither LFS nor Mr. Beers is compensated for advisory services with performance-based fees.

D. Neither LFS nor Mr. Beers has been involved in any (i) arbitration or (ii) civil, self-regulatory organization, or administrative proceeding.

E. Neither LFS nor Mr. Beers has any relationship or arrangement with any issuer of securities.

# *Lottsa*

## **Lottsa Financial Services, Inc.**

400 19th Avenue South  
Minneapolis, MN 55454  
Phone: (612) 338-7487  
Fax: (612) 338-7460  
[www.lottsa.com](http://www.lottsa.com)

**Scott D. Beers, President**

**Form ADV Part 2B**  
Brochure Supplement

**March 10, 2017**

This Brochure Supplement provides information about the above named representative that supplements the Form ADV Part 2A Brochure of Lottsa Financial Services, Inc. You should have received a copy of that Brochure. Please contact us at the number listed on this cover page if you did not receive the Brochure or if you have any questions about the contents of this Brochure Supplement.

The information in this Brochure Supplement has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Please note, where this Brochure Supplement may use the terms "registered investment adviser" or "registered," registration itself does not imply a certain level of skill or training.

Additional information about the firm and its representative is also available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and searching the representative's unique identifying number, which is 4499344.

## Item 2 Educational Background and Business Experience

**Year of Birth: 1956**

### **Education**

#### **College for Financial Planning**

Financial Planning (2005 - 2007)

#### **Metro State University**

Accounting, Taxes and Investing (1982 - 1991; 2010 - 2011)

#### **Grinnell College**

History & Literature (1974 - 1976)

### **Business Experience**

#### **Lottsa Financial Services, Inc.**

Registered Investment Adviser Firm  
President, Founder & Owner

**2001 to present**

#### **Lottsa Tax and Accounting Services, Inc.**

Accounting Firm  
President, Co-Founder & Owner

**1982 to present**

## Item 3 Disciplinary Information

Item 3 requires disclosure of certain types of legal or disciplinary events.

I have no legal or disciplinary events to disclose pursuant to Item 3.

## Item 4 Other Business Activities

In addition to my position as an investment adviser representative of LFS, I am also accountant, owner and President of Lottsa Tax and Accounting Services, Inc. (LTAS), a sister corporation for LFS. I may recommend that an advisory client engage LTAS for accounting or similar professional services for which it will charge ordinary and reasonable professional fees. Clients have the right to decide whether or not to accept the recommendation to engage LTSA for such professional services or to select another accountant, accounting firm, or consulting firm of their choosing, which may charge less (or more) for its services.

The possibility of receiving additional compensation from the professional fees earned by LTSA by providing accounting services to you provides an economic incentive for me to make such recommendation based on the compensation I will receive rather than on your accounting needs. This is a conflict of interest that clients should consider. I have a fiduciary obligation to act in my clients' best interests when I make recommendations to them.

I am also a partner in Triangle Building Partnership, LLP, a real estate limited liability partnership. I am not compensated for services I provide to the partnership. Clients are not solicited to invest in the partnership.

## **Item 5 Additional Compensation**

In Item 5, I must disclose if someone who is not a Client provides me any economic incentive or benefit (such as sales awards or other prizes, among other items) for providing advisory services.

I am not a party to any arrangement where someone who is not a Client provides an incentive or economic benefit for providing advisory services.

## **Item 6 Supervision**

Name of Supervisor: Scott Beers (self)  
Title of Supervisor: President  
Telephone: (612) 338-7487

As sole owner and President of Lottsa Financial Services, Inc., I am responsible for reviewing and monitoring my activities as an investment adviser representative, including the advice and services I provide to clients and the handling of their accounts.

## **Item 7 Requirements for State Registered Advisers**

As an investment adviser representative, I am required to provide further disclosure regarding my background. I have never been found liable in any arbitration claim, or civil, self-regulatory, or administrative proceeding, or been subject to any bankruptcy petition.