

# **Financial Solutions, Inc.**

## **Firm Brochure**

**The date of this Brochure and the information in it is March 31, 2011**

### **Financial Solutions, Inc.**

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This Brochure provides information about the qualifications and business practices of Financial Solutions, Inc. (in this Brochure, we refer to Financial Solutions, Inc. as ***Financial Solutions*** or the ***Firm***). If you have any questions about the contents of this Brochure, please contact:

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The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (***SEC***) or any other securities regulatory authority.

Financial Solutions, Inc. is registered as an investment adviser with the SEC. Registration does not imply that either the Firm or its representatives have any certain level of skill or training.

Additional information about Financial Solutions is available on the website of the SEC at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

Financial Solutions has changed the information contained in its Brochure and the manner in which it is presented as required by a recent rule change adopted by the U.S. Securities and Exchange Commission (*SEC*). Other than the changes required by the rule change, the information relating to Financial Solutions in this Brochure has not changed materially since the Firm last updated its Form ADV and Brochure.

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## **Item 4 - Advisory Business**

### **A. Description of the Firm**

Financial Solutions was formed as a corporation under the laws of the State of Oklahoma on December 11, 1995. The Firm has been registered as an investment adviser with the SEC since March 6, 2004 and has been conducting its current business since that date. Gary W. Gould is the President, Chief Compliance Officer and sole shareholder of the Firm.

### **B. Types of Services**

Financial Solutions offers ongoing management of assets for Clients (*Clients*) on a discretionary basis. See Item 7. Financial Solutions uses proprietary investment strategies that use a multi-manager and multi-strategy approach. See Item 8.

### **C. Tailoring Services to Needs of Clients**

Although all assets are invested using the Firm's proprietary strategies, Financial Solutions evaluates the individual needs of each Client, based on the investment guidelines, objectives, risk tolerance levels, financial requirements, investment restrictions, asset and liability structure and any specific requests or needs of each Client. Financial Solutions will adapt the strategies to address any specific needs, requirements or requests of each Client.

### **D. Wrap Fee Programs**

Financial Solutions does not offer wrap fee programs.

### **E. Managing Assets using Discretion**

As of December 31, 2010, Financial Solutions had \$354,000,000 in assets under management, all of which it manages on a discretionary basis.

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

### **A. Fees Charged**

#### **1. Negotiability of Fees**

Financial Solutions documents all of its services with a written agreement that describes the services to be provided and the fees to be charged for those services. All accounts are charged the standard fees described below. On limited occasions, the Firm may negotiate different fees for Clients that have multiple accounts under management with the Firm or Clients that are receiving multiple services from Financial Solutions and its affiliates.

## **2. Fee Schedule**

The following are the annual fees that the Firm charges for management services calculated on assets under management:

<u>Assets</u>	<u>Fee</u>
First \$100,000,000	.50%
Next \$200,000,000	.40%
Over \$300,000,000	.30%

## **3. Valuation of Client Portfolio**

The fees above are based on the value of the assets in the Client's account as of the end of each quarter. Financial Solutions provides each Client with a quarterly statement which provides the valuation of the cash and securities in each Client's account as of the end of the quarter. The value of each portfolio is determined by valuations provided by the Subadvisers or the custodians of the securities held in the account. If the custodian is unable to provide a price, Financial Solutions will use a pricing agent or will determine the value based on the market value of comparable securities. If a Client uses margin in the account, the fees charged by Financial Solutions are based on the gross market value of the securities in the Client's account without consideration of the amount of margin or other liabilities against those securities.

## **B. Payment of Fees**

Management fees are payable quarterly, at the end of each quarter, based on the value of the assets at the end of the quarter, unless that value does not accurately reflect the value of the assets under management during the quarter. Financial Solutions does not deduct fees from Client accounts, but sends a billing statement to each Client after the quarter ends. All fees for management services are due and payable within 30 days of the date of the billing statement.

## **C. Other Fees Paid by Clients**

### **1. Fund Fees**

Financial Solutions' Management Fee is separate from any fee or fees charged by the managers (*Subadvisers*) of funds that Financial Solutions uses to implement its strategies. Typical Subadviser management fees range from .0100% to .0125% of assets under management. Subadvisers may also charge administration or service fees to Fund shareholders, which Clients will pay in addition to fees charged by Financial Solutions.

### **2. Brokerage and other Costs**

Clients will also be required to pay transaction costs, custodial costs or other costs that are charged in connection with transactions in the Clients' accounts. See Item 12.

## **D. Advance Payments and Refunds**

### **1. Proration of Fees**

If management services begin or end at a time other than the beginning or end of a quarter, Financial Solutions prorates its fees based on the days during the quarter that the assets were under management.

### **2. Limit on Fees paid in Advance**

In no event will Financial Solutions require payment for its services that would be more than \$1,200.00, per Client and which would be paid six (6) or more months in advance.

## **E. Compensation for Sales of Securities**

Neither Financial Solutions nor any supervised person or related person accepts any compensation for transactions in securities for Clients. See Item 12, below.

## **Item 6 - Performance-Based Fees**

Financial Solutions does not enter into contracts with Clients where its compensation would be based on a share of capital gains, or capital appreciation of the assets of a Client (*performance-based fees*); however, some of the Subadvisers of Funds used by Financial Solutions to implement its strategies may charge such fees.

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

The Clients of Financial Solutions include primarily high net worth individuals, foundations, financial institutions, endowments, pension plans and other institutional investors. The Clients must be (i) an *accredited investor* (as defined in SEC Rule 501 promulgated under the Securities Act of 1933, as amended), and (ii) a *qualified client* (as defined in SEC Rule 205-3 of the Advisers Act). Each Client must be able to bear the risks of the types of investments selected by Financial Solutions, which can include options, futures, hedge funds and illiquid investments. Clients must have sufficient assets to take advantage of the strategies used by Financial Solutions and to be able to invest in illiquid securities. Financial Solutions requires each Client to maintain a minimum portfolio balance of cash and securities of \$3,000,000. This minimum may be waived or reduced under certain circumstances at the sole discretion of Financial Solutions.

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

### **A. Methods of Analysis and Investment Strategies**

Financial Solutions uses proprietary strategies in managing client accounts. Financial Solutions uses financial futures, cash equivalent securities, options, private funds (*Hedge Funds*) managed by other advisers (*Subadvisers*), index options and commodity trading to implement its strategies. Although Financial Solutions will utilize information, reports and data from various

external sources, its investment decision-making is based primarily on its proprietary internal research and analyses. It relies on its internal capabilities in implementing its strategies.

## **B. Risks of Strategies Used**

The strategies used by Financial Solutions, as described above, include option writing, futures and commodities, all of which can present high risk of loss and volatility. Financial Solutions attempts to balance its Clients' accounts with investments in some cash and cash equivalent investments intended to balance the overall risks. All investments are subject to market risks, risks related to the type of industry involved and other risks of investments.

## **C. Risks of Securities**

Investments in Hedge Funds can involve high risk and can be volatile and have limited liquidity. Clients may be required to hold their investments in the Hedge Funds for long periods of time.

# **Item 9 - Disciplinary Information**

Neither Financial Solutions nor any person having the power to exercise a controlling influence, directly or indirectly, over the management of Financial Solutions (*Management Person*) has been involved in any material legal or disciplinary proceedings that should be evaluated by Clients or prospective Clients. Regulatory authorities consider the following types of matters to be material proceedings:

## **A. Criminal or Civil Actions**

Neither Financial Solutions nor any Management Person has been:

1. convicted of, pled guilty to, pled nolo contendere to or no contest to, any criminal action;
2. named in a criminal action that is currently pending;
3. found in any action to have violated any investment-related statute or regulation; or
4. the subject of any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, Financial Solutions or any Management Person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

## **B. Administrative Proceedings**

Neither Financial Solutions nor any Management Person has been involved in any administrative proceeding before the U.S. Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority in which any of such parties was:



1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of Financial Solutions or any Management Person to act in an investment-related business;
  - (b) barring or suspending Financial Solutions or any Management Person from association with an investment-related business;
  - (c) otherwise significantly limiting Financial Solutions or any Management Person's investment-related activities; or
  - (d) imposing a civil money penalty of more than \$2,500 on Financial Solutions or any Management Person.

**C. Action by Self Regulatory Organizations**

Neither Financial Solutions nor any Management Person has been involved in any proceeding before any self-regulatory organization, such as the Financial Industry Regulatory Authority, in which Financial Solutions or any Management Person was:

1. found to have caused an investment-related business to lose its authorization to do business; or
2. found to have been involved in a violation of the organization's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; or (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

**D. Additional Information**

To confirm the above statements and to review any public information about disciplinary actions involving Financial Solutions and its Management Persons or information about other any investment adviser and its associated persons, please review the information available on the website of the SEC at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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

**A. Broker-Dealer Registration**

Neither Financial Solutions nor any Management Person is registered, or has applied to be registered, as a broker-dealer or registered representative of a broker-dealer.

**B. Futures and Commodities Registration**

Neither Financial Solutions nor any Management Person is registered or has applied to be registered as a futures commission merchant commodity pool operator, a commodity trading advisor, or an associated person of any of those entities.

### **C. Arrangements with Related Persons**

Financial Solutions and Corporate Consulting Group, Inc. (*Corporate Consulting*) are both wholly owned companies of Gary W. Gould. Financial Solutions' relationship with Corporate Consulting consists solely of its common ownership. Corporate Consulting is an SEC registered investment adviser registered pursuant to SEC Regulation 203A-2(c).

### **D. Recommendation of Investment Advisers**

Financial Solutions does not recommend or select other investment advisers for Clients, other than through the selection of Hedge Funds for investment that are advised by other investment advisers.

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

### **A. Code of Ethics**

Financial Solutions has adopted a Code of Ethics (*Code*) that contains policies and procedures intended to avoid conflicts of interest with Clients and to prevent insider trading. The Code applies to all persons associated with Financial Solutions who could have access to information about proposed securities transactions for Clients or material information about any security (*Access Persons*). The Code contains policies and procedures reasonably designed to assure that the interests of Clients always come before the interests of the Firm or its associated persons, and that no associated person trades any security when the Firm has any inside or proprietary information about the security. Financial Solutions keeps records of securities transactions by all associated persons, including Access Persons and reviews those records to assure that no Access Person is violating Code provisions or otherwise trading in conflict with the interests of Clients. A copy of the Code is available upon request to Financial Solutions at the address listed on the cover of this Brochure.

### **B. Conflicts in Transactions in Securities**

Financial Solutions does not recommend, buy or sell for Clients any securities in which Financial Solutions or any related person has a material financial interest, except that Financial Solutions or a related person may invest in the same securities as Clients. See Subsection C, below.

### **C. Conflicts in Investments in Securities**

Financial Solutions and its associated persons generally do not purchase or hold securities that Financial Solutions recommends to Clients or that Financial Solutions has purchased or sold for Clients. If an Access Person were to invest in the same securities as Clients, they would not be allowed to trade until all transactions for Clients have been completed.

## **D. Conflicts in Contemporaneous Transactions**

The Code generally prohibits Financial Solutions or any associated persons from buying or selling a security (other than mutual fund shares, which are generally exempt) at the same time as the Firm executes a transaction for a Client in the same security. The Code also prohibits Financial Solutions or any related person from simultaneously buying a security while Financial Solutions recommends that a Client sell the same security or from simultaneously selling a security while Financial Solutions recommends that a Client purchase the security.

## **Item 12 - Brokerage Practices**

### **A. Factors in Selecting Broker-Dealers and Reasonableness of Compensation**

Financial Solutions has full discretion to select broker-dealers to execute transactions for Clients, except transactions in Hedge Funds which must be executed directly through the Fund and/or its distributor, which is usually an affiliated broker-dealer. Where Financial Solutions has the ability to select a broker-dealer, Financial Solutions seeks to select brokers for transactions that will provide the best service or *best execution* for each transaction. Financial Solutions defines *best execution* as the execution of a securities transaction in a way that, when all aspects are considered, provides the best value to the Client for the transaction under the circumstances. To evaluate *best execution* Financial Solutions takes into consideration the range and quality of the broker's services, the value to Financial Solutions and its Clients of research provided by the broker, the broker's ability to execute transactions, the commission rates the broker will charge, the financial responsibility of the broker and the broker's responsiveness to Financial Solutions. In its analysis of best execution, Financial Solutions will take into consideration research information provided by a broker-dealer to Financial Solutions, including analyses and reports about securities, statistical data and advice on the value of securities.

#### **1. Research and Other Soft Dollar Benefits**

Financial Solutions does not accept any research from a broker if the receipt of the research is conditioned on Financial Solutions' commitment to send a minimum amount of commission business to the broker (a practice called using *soft dollars*). Similarly, Financial Solutions does not accept any service or benefit that consists of equipment, data or other items provided directly to Financial Solutions by a third party and paid for by a custodian or a broker processing transactions for Clients (also known as *soft dollar arrangements*) if the receipt of the service or benefit is conditioned on any commitment to send commission business to the party paying for the service or benefit. Because of the volume of business that Financial Solutions directs to any given broker-dealer, some of those broker-dealers provide Financial Solutions with research or other data without charge.

#### **2. Brokerage for Client Referrals**

Financial Solutions does not take into consideration referrals from a broker or third party in recommending broker-dealers to Clients. Financial Solutions does not receive referrals

from any party that would be related to the selection of that broker-dealer for execution of Client transactions.

### **3. Directed Brokerage**

Financial Solutions generally has full authority to select the broker-dealers through which Client transactions are executed; however, under limited circumstances Financial Solutions may allow some Clients to direct transactions in securities for their accounts to specific brokers designated by the Client. Financial Solutions reviews the commission rates charged to its Clients by the broker-dealers it selects and attempts to negotiate favorable rates for the transactions it executes through those broker-dealers. If a Client has directed that a specific broker-dealer be used to handle transactions, Financial Solutions is not involved in negotiating commission rates with that broker-dealer. For those Clients, the brokerage commissions are usually negotiated by the Client and may be higher or on less favorable terms than are those negotiated by Financial Solutions.

## **B. Aggregation and Allocation of Orders**

### **1. Aggregation**

Financial Solutions makes investment decisions independently for each Client. If, however, Financial Solutions expects to purchase or sell the same security for more than one Client at the same time, Financial Solutions will attempt to combine orders to take advantage of reduced commission rates or otherwise to provide best execution for the affected Clients. Generally, combining orders with one broker-dealer reduces transaction fees, expedites the execution of the transactions and/or assists in meeting minimum order sizes. Financial Solutions is not able to combine orders for Clients that have designated a specific broker for account transactions. In those situations, Clients do not receive the benefits of the combined transaction and may pay higher fees.

### **2. Trade Allocation.**

There may be occasions where Financial Solutions is unable to purchase all the securities it wishes to purchase for all of its Clients. Financial Solutions must allocate the securities among the Clients for whom the securities were being purchased in a manner that is fair to all Clients. Financial Solutions has adopted procedures for allocating securities of its Clients. These procedures are intended to treat each Client equitably and to assure that the best interests of the Clients are protected. There may be situations where one Client may be disadvantaged in an isolated case; however, Financial Solutions believes that all Clients will benefit equally from the procedures over time.

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

### **A. Regular Review**

Gary Gould, the chief investment officer of the Firm, monitors all Client holdings on a continuous basis.

## **B. Factors Triggering Extra Reviews**

Financial Solutions might conduct an immediate review if any of the following should occur:

- significant changes in market or economic conditions affecting Client holdings;
- significant withdrawals from or additions to assets under management for a given Client;
- if, for other reasons, the Firm believes it necessary or advisable to do so; or
- if requested by a Client.

## **C. Reports to Clients**

Each Client receives reports at least quarterly, from the custodian of the Client assets or the Fund sponsor or manager. Those reports include all purchases and sales during the preceding period, withdrawals and additions to the assets, any fees deducted from the account and the value of the assets at the beginning and end of the period.

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

### **A. Economic Benefits for Providing Advice**

No third party provides any economic benefit to the Firm for providing investment advice or other advisory services to the Firm's Clients.

### **B. Payment for Referrals**

Neither the Firm nor any related person pays any third party to refer business to the Firm.

## **Item 15 - Custody**

Financial Solutions does not maintain custody of Client assets or securities.

## **Item 16 - Investment Discretion**

Financial Solutions is usually granted discretionary authority to manage securities accounts for its Clients. Financial Solutions will not exercise discretion unless a Client has granted Financial Solutions discretion, in writing, under the terms of the Firm's advisory contract. Clients may limit discretion or may enter into agreements with Financial Solutions where the Client does not grant discretion to Financial Solutions.

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

Financial Solutions does not vote Client proxies.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Financial Solutions does not require prepayment of more than \$1,200 in fees per client, more than six months in advance.

### **B. Discretionary Authority/Custody**

Financial Solutions is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients.

### **C. Bankruptcy**

Financial Solutions has not been subject to a bankruptcy petition at any time during the past ten years.