



Form ADV Part 2

March 17, 2017

This brochure provides information about the qualifications and business practices of Balance Sheet Solutions. If you have any questions about the contents of this brochure, please contact Darren Fago, Chief Compliance Officer (630)276-2693. Email inquiries may be sent to darren.fago@balancesheetsolutions.org.

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 Balance Sheet Solutions LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Balance Sheet Solutions, LLC

Form ADV Part 2

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Form ADV Part 2A

Advisory Business

Firm Background

Balance Sheet Solutions, LLC is a credit union service organization (CUSO), wholly owned by Alloya Corporate Federal Credit Union (Alloya). Founded in 2002, Balance Sheet Solutions offers clients (primarily federal and state chartered credit unions) non-discretionary investment advisory services. The firm is registered with the Securities and Exchange Commission (SEC) as an investment advisor (application approved August 5, 2004).

Balance Sheet Solutions was formerly a broker/dealer registered with FINRA. The firm submitted Form BDW on December 20, 2012, to withdraw as a broker-dealer. The regulatory approval to cease operations as a broker-dealer was finalized on February 15, 2013. Balance Sheet Solutions now has an alliance with CU-Investment Solutions (ISI), a registered broker-dealer, member FINRA/SIPC. ISI provides investment sales options through Independent Contractor Agreements with Balance Sheet Solutions investment sales staff. Alloya owns 22 percent of ISI. Alloya's President/Chief Executive Officer maintains a seat on ISI's board.

Alloya is a federally chartered corporate credit union formed on October 24, 2011, and is regulated by the National Credit Union Administration (NCUA). Balance Sheet Solutions was formerly owned by Members United Bridge Corporate Federal Credit Union, which along with holdings (including Balance Sheet Solutions), merged into Alloya on October 24, 2011.

Balance Sheet Solutions has a diverse management team overseeing the various business activities of the firm. The following is a listing of key control individuals:

- Mark Schieffer, President
- Thomas Slefinger, SVP, Director, Institutional Fixed Income Sales
- Daniel Frilot, SVP, Director, ALM Risk Management
- Darren Fago, VP, Advisory Services and Chief Compliance Officer

Types of Advisory Services

Balance Sheet Solutions provides non-discretionary investment advisory services to clients seeking to contract external portfolio management expertise to aid in the management of balance sheet strategies. The firm also provides ala carte statistical analytic services to aid subscribing clients with comprehensive asset/liability management solutions, deposit analysis and other reporting tools to qualify and/or quantify potential risks to the client's capital and earnings potential. Additionally, Balance Sheet Solutions provides consulting services to clients that prefer to purchase services that are customized to meet the specific demands of the client. When certain analytic and/or reporting services are purchased separately, the service(s) may not qualify within the context where Balance Sheet Solutions may be considered an investment

advisor. The following provides a brief description of the firm's various advisory and other services, and related fee schedules and billing practices.

Investment Advisory Service – Advisor Pro

The *Advisor Pro* investment advisory service rendered by Balance Sheet Solutions provides subscribing clients non-discretionary portfolio management services that include: (1) an annual review of the client's investment and asset/liability management policies; (2) annual preparation of the client's share deposit sensitivity analysis; (3) annual (at a minimum) identification of performance benchmark(s) for the portfolio(s) in which Balance Sheet Solutions provides advisory services; (4) quarterly design of strategies specific to the portfolio management objectives identified between the client and the investment advisory representative; (5) quarterly portfolio surveillance reports; (6) investment accounting reports (monthly); and (7) trade justifications (per trade based on a strategy or recommendation from Balance Sheet Solutions).

Portfolio surveillance reports include an analysis of the client's portfolio composition, cash flow projections may be provided, high risk security tests on collateralized mortgage obligations, security holdings with embedded options, credit worthiness of holdings (based on ratings from nationally recognized rating agencies), marketable securities appraisal report, portfolio yield analysis and a policy compliance report.

Additionally, clients subscribing to the non-discretionary investment advisory service will receive quarterly asset/liability management reporting analytics, which at a minimum include reports demonstrating net economic value calculations, net income and net income forecast, graphic and tabular descriptions of marginal interest rate sensitivity and cumulative sensitivity gap positions.

Investment Advisory Service - Advisor Assist

The *Advisor Assist* investment advisory service includes: (1) an annual review of the client's investment and asset/liability management policies; (2) quarterly asset/liability management reports (3) quarterly design of strategies specific to the portfolio management objectives identified between the client and the investment advisory representative; (4) quarterly portfolio surveillance reports; (5) investment accounting reports (monthly); and (6) trade justifications (per trade based on a strategy or recommendation from Balance Sheet Solutions).

Portfolio surveillance reports include an analysis of the client's portfolio composition, cash flow projections may be provided, high risk security tests on collateralized mortgage obligations, security holdings with embedded options, credit worthiness of holdings (based on ratings from nationally recognized rating agencies), marketable securities appraisal report, portfolio yield analysis and a policy compliance report.

Balance Sheet Analytics Program

This service is designed for clients that have identified a need for customized balance sheet assistance. This ongoing program is designed to aid clients with the performance of typical duties associated with an individual's responsibilities for asset/liability management and investment management. Included as part of the service are the following components:

- One-time review of investment policies.
- One-time review of asset/liability management policies.
- Annual preparation of a share sensitivity analysis.
- Annual preparation of portfolio benchmarking analysis and monthly analytics depicting the position of the portfolio relative to the benchmark portfolio.
- Preparation of quarterly asset/liability management modeling reports.

Ala Carte Services

All services described within this section are dependent on the client providing pertinent data to perform the analytics and/or services requested. Once Balance Sheet Solutions has received the data, the process will proceed as contractually agreed between Balance Sheet Solutions and the client.

Share Sensitivity Analysis

The Share Sensitivity Analysis is a statistical study on the historical product pricing behaviors and the consequent member behaviors so the institution (client) can apply these same dynamics going forward.

Portfolio Benchmarking Analysis

Creating an investment-liability benchmark portfolio is a process that Balance Sheet Solutions goes through to test the impact a series of changes in duration have on net income, net income volatility, net economic value and net economic value volatility. This aids the client by selecting a benchmark portfolio based on risk and return.

Asset/Liability Management Services

Asset/Liability Interest Rate Risk Modeling & Consulting

This product provides clients with top-tier risk management reporting and analytics with capital markets-based stochastic analysis, relevant output, robust "what-if" scenario functionality and targeted commendations on risk profiles.

A/L Management Modeling

A/L Management Modeling is a mid-level analytics asset/liability modeling tool with relevant output and scenario analysis that measures and reports interest rate risk on the balance sheet.

A/L Management Reporting

A/L Management Reporting provides fundamental risk management reporting. This service utilizes aggregate assets and liabilities along with no growth assumptions to provide basic interest rate risk reporting.

Asset/Liability Management Model Validation

An independent evaluation or validation of in-house and outsourced asset/liability management risk modeling. The analysis compares and reviews net economic value (NEV) and earnings simulations in different interest rate shock scenarios. Material variances between the risk models are identified, explained and summarized. Risk modeling process improvements, when identified, are recommended.

Consulting and Customized Services

Balance Sheet Solutions offers a range of consulting services to clients according to the particular requirement of the client. These include without limitation the following services:

- Investment policy evaluation
- Asset/liability management policy evaluation
- Balance sheet evaluation
- Liquidity policy evaluation and assessment
- Hedge strategies to reduce balance sheet risk
- Training and education

Fees and Compensation

The following provides an overview of the fees charged by Balance Sheet Solutions for the non-discretionary investment advisory service and other advisory and analytic services. All fees are reviewed, and if applicable, adjusted annually. Any variance to the fee schedule must be agreed to by Balance Sheet Solutions and the client. Balance Sheet Solutions does not accept payment of fees in advance and/or retainers from clients for its investment advisory service.

Non- Discretionary Investment Advisory Services – Advisor Pro

Fees are calculated based on the size of the entire investment portfolio value as reported by the client on its regulatory report (e.g., NCUA 5300 Call Report or similar report) or as otherwise agreed upon between Balance Sheet Solutions and the client. The monthly fee computation is based on the value of investments under contract, multiplied by the fee (on the following table), divided by 365 days, multiplied by the number of days in the month in which the service is provided. The fee calculation includes the base fee plus the previously defined calculation methodology.

Value of Investment Portfolio	Fee
Base fee	\$1,000.00
1 st \$25,000,000 or less	10.0 basis points (0.100%)
Next \$25,000,000	7.5 basis points (0.075%)
Next \$25,000,000	5.0 basis points (0.050%)
Next \$25,000,000	3.0 basis points (0.030%)
\$100,000,000 or greater	2.0 basis points (0.020%)

Pricing for non-investment advisory products and services, which includes the Balance Sheet Analytics Program and ala carte services, is available upon request.

Non- Discretionary Investment Advisory Services – Advisor Assist

The fee is \$1,500 per month.

Fee Billing Schedule and Payment Due Date

Fees are reviewed at least annually. Unless otherwise agreed to by Balance Sheet Solutions and the client, fees are billed on the first business day of the month following the month in which the service is provided. Payments are due by the 25th day of the month in which the billing occurred. If the 25th is a holiday, Saturday or Sunday, payments are due the next business day.

Types of Clients

Clients of Balance Sheet Solutions are typically federally insured, federal and state chartered credit unions and privately insured state chartered credit unions. NCUA regulates potential credit union clients who have federal charters. State chartered credit unions are governed by the rules and regulations applicable to the jurisdiction in which the credit union operates.

Methods of Analysis, Investment Strategies and Risk of Loss

Balance Sheet Solutions provides non-discretionary investment advisory, financial strategies and other consulting services to clients regarding the investment instruments permitted by the NCUA's Rules and Regulations Part 703 for federal credit unions. Investment instruments for state chartered

credit unions are governed by the rules and regulations applicable to credit unions in their respective state. The following represents typical instruments, but not limited to those Balance Sheet Solutions will provide advice on to its clients:

- Federal National Mortgage Association securities
- Federal Home Loan Bank securities
- Federal Home Loan Mortgage Corporation securities
- Federal Farm Credit Bank securities
- Federal Agriculture Mortgage Corporation securities
- Federal Land Bank securities
- Tennessee Valley Authority securities
- Small Business Administration securities
- Student Loan Market Association securities
- Other Government Agency and Government Sponsored Enterprise securities
- NGN – NCUA Guarantee Notes
- Municipal bonds
- Certificates of deposit
- Bank and holding company debt
- Corporate bonds
- Collateralized mortgage obligations
- Commercial mortgage-backed securities
- Real estate mortgage investment conduits
- Asset-backed securities
- Corporate credit union depository products
- Money market instruments

As with all investment instruments, the options above are all subject to varying degrees of credit, interest rate, opportunity and liquidity risks. Balance Sheet Solutions creates a benchmark portfolio to determine what is suitable and appropriate for each institution, and to highlight risks in relation to the entire balance sheet of the client. The firm utilizes a total return analysis on the investable sectors for clients as the baseline relative value analysis. Balance Sheet Solutions uses a relative value analysis to build sector allocation strategies for the respective client's benchmark portfolio.

Investment advisory representatives of Balance Sheet Solutions recommend sector allocation strategies based on the firm's relative value analysis and the client's benchmark portfolio. Security trade recommendations and security selection process will be consistent with the tactical plan developed for the client.

Disciplinary Information

Balance Sheet Solutions, in 2012 while still a registered broker-dealer, had one regulatory action without sanction. The issue was "failed to report the correct contra-party Identifier for some S1 Transactions in TRACE - Trade Reporting and Compliance Engine."

There are no legal events against the firm and the firm has no investigations pending. Furthermore, no employees (including all officers, investment advisory representatives or associated personnel) have ever been subject to any disciplinary action by the SEC, any self-regulatory organization (SRO), or other federal regulatory agencies, any state regulatory agency, or any foreign financial regulatory authority.

Other Financial Industry Activities and Affiliations

Balance Sheet Solutions is an Illinois limited liability company that is wholly owned by Alloya. Balance Sheet Solutions is also considered to be a credit union service organization for the purposes of the NCUA Rules and Regulations Part 704. Alloya buys and sells for its portfolio several of the same types of securities recommended to financial strategies clients. When a particular security is being recommended to a financial strategies client, and the security is held or is being considered by Alloya, the client will be so advised to avoid any conflict of interest, loyalties and responsibilities in these transactions.

Alloya may offer depository products with similar maturities as some securities that may be recommended to clients. The client is advised about the relationship between Balance Sheet Solutions and Alloya in the client agreement executed between Balance Sheet Solutions and the advisory client.

Balance Sheet Solutions offers clients fixed-income marketable securities through the alliance with ISI. Additionally, Balance Sheet Solutions provides clients access to non-registered financial depository products and DTC Certificates of Deposit through SimpliCD and other services.

Full disclosure will be given to the client in advance for any transactions executed. Balance Sheet Solutions, through ISI, accepts orders for permissible fixed-income marketable securities, and also accepts orders for depository obligations of Alloya and federally insured depository products offered through Primary Financial in the service known as SimpliCD. The client is responsible for the purchase of other depository products or marketable securities through other broker-dealers.

Being registered as an investment advisor with the SEC does not imply that Balance Sheet Solutions has completed or achieved a certain level of skill or training.

Code of Conduct

Alloya and its wholly owned subsidiaries, including Balance Sheet Solutions, provide a business ethics policy that each employee receives in the institution's Employee Handbook. In addition, CFA charterholders also sign a Code of Conduct each year, which includes all CFA charterholders associated with Balance Sheet Solutions. Furthermore, Balance Sheet Solutions maintains detailed Investment Advisory Written Supervisory Procedures (WSP) that all Balance Sheet Solutions' employees have received and have executed written acknowledgements regarding compliance to the firm's policies, guidelines and practices. The WSP detail comprehensive practices and prohibited activities for the firm and all associated personnel.

Brokerage Practices

As previously stated, Balance Sheet Solutions, through an alliance with ISI, offers clients fixed-income marketable securities on a riskless principal or agent basis. Additionally, Balance Sheet Solutions provides clients access to non-registered financial depository products and services.

Balance Sheet Solutions does not maintain soft-dollar relationships with any third party broker/dealer firms to receive research or other products or services in return for referrals or directed transactions.

Review of Accounts

Clients are provided access to investment advisory or analytic services, which reviews the client's portfolio(s) for performance relative to the specific client's objectives on a continuous basis or on a predetermined timeframe (e.g., one-time, monthly or quarterly basis as defined by the type of service and/or the frequency determined contractually by the client). Clients subscribing to the investment advisory service will have informal reviews at least biweekly. Client inquiries may trigger additional account reviews. All accounts are managed by a portfolio manager with additional oversight by the President and/or the SVP, Director, Investment Advisory Services. These investment advisory representatives are personnel that are licensed properly or exempt from registration requirements due to their professional designation (e.g., CFA charterholder status).

Clients of the investment advisory service receive a comprehensive review of their investment and asset/liability management policies (annually), preparation of a share deposit sensitivity analysis (annually), portfolio surveillance reports (quarterly), investment accounting reports (monthly) and trade justifications (per trade). Surveillance reports include an analysis of composition, cash flow, high risk security tests on collateralized mortgage obligations (CMO's), holdings with embedded options, credit worthiness, marketable securities appraisals, portfolio yield analysis and policy compliance. ALM analysis (quarterly) includes net economic value (NEV), net income (NI) and rate sensitivity analysis.

Client Referrals and Other Compensation

Under a Master Services Agreement, Balance Sheet Solutions reimburses Alloya for marketing and sales support. This compensation is not tied to specific transactions or clients. The reimbursement is tied to pre-agreed levels of support provided by Alloya staff to the ongoing operations of Balance Sheet Solutions.

Custody

Balance Sheet Solutions does not hold or maintain custody of customer or client funds or securities. However, Alloya may maintain securities safekeeping accounts for its member credit unions, or depository accounts, some of which could be Balance Sheet Solutions' Investment Advisory clients.

Investment Discretion

As non-discretionary accounts, all recommendations are submitted to the client for their consideration and determination to execute based on a recommendation of Balance Sheet Solutions. Balance Sheet Solutions does not recommend or select a broker-dealer for investment advisory clients. The client maintains sole discretion for the broker-dealer or third party when making investment decisions.

Financial Information

The SEC requires investment advisors to provide financial information (i.e., balance sheet prepared in accordance with generally accepted accounting principles) to a client in the event that the firm requires or solicits prepayment of more than \$1,200 in fees, six months or more in advance. While Balance Sheet Solutions does not solicit or accept the prepayment of fees associated with investment advisory services, the firm does maintain financials that any customer or client of the firm may access. This information can be obtained at www.balancesheetsolutions.org.

Form ADV Part 2B Brochure Supplement

Balance Sheet Solutions requires those individuals involved in determining or giving investment advice to clients to have the appropriate educational background such as a degree in finance, accounting, economics or management. Additionally, a minimum of two years work experience in a financial institution as an investment adviser or similar experience in funds management, portfolio management or asset/liability management is required. Certain educational requirements can be substituted if an individual has more than ten years work experience in a related field.

The following information is provided for individuals who supervise and/or those that formulate investment advice for a client and have direct client contact.

Mark A. Schieffer, CFA – Educational and Business Background

Formal education after high school	MBA concentration in Finance Owen Graduate School of Management – Vanderbilt University Nashville, TN BSBA Finance/Economics Rockhurst University Kansas City, MO
Business background	Balance Sheet Solutions, LLC Naperville, Illinois President March 2015 to present Alloya Corporate Federal Credit Union Naperville, Illinois Senior Vice President March 2015 to present System United Corporate Federal Credit Union (dba SunCorp) Westminster, CO Executive Vice President/Chief Investment Officer October 2004 to February 2015 ALM First Financial Advisors, LLC Dallas, TX Director of Advisory Services July 2002 to October 2004 Southwest Corporate Federal Credit Union Dallas, TX Investment Manager October 1994 to July 2002 Pacific Corporate Federal Credit Union Honolulu, HI Investment Manager June 1992 to October 1994
Registrations & examinations	None
Professional certification/designations	CFA Charterholder
Disciplinary Information	None

Other business activities

None

Additional Compensation

None

Supervision

Mark directly supervises the Vice President, Advisory Services. He directly supervises the Senior Vice President - Director ALM Risk Management Services, Senior Vice President, Fixed Income Institutional Sales, and an Administrative Assistant.

Darren D. Fago, CFA – Educational and Business Background

Formal education after high school

MBA Finance

Edgewood College
Madison, Wisconsin

BS Psychology

Illinois State University
Normal, Illinois

Business background

Balance Sheet Solutions, LLC

Naperville, Illinois
Vice President, Advisory Services
July 2006 to present

Mid-States Investment Solutions LLC

Warrenville, Illinois
Senior Portfolio Manager
February 2005 to July 2006

Mid-States Investment Solutions LLC

Warrenville, Illinois
Portfolio Strategist
June 2004 to February 2005

Mid-States Corporate Federal Credit Union

Warrenville, Illinois
Risk Management Officer
January 2004 to June 2004

Registrations & examinations

None

Professional certification/designations

CFA Charterholder

Disciplinary Information

None

Other business activities

None

Additional Compensation

None

Supervision

Darren directly supervises three Advisory Services staff positions, which include Senior Portfolio Managers and a Senior Investment Analyst.

Kristina M. Muller, CFA – Educational and Business Background

Formal education after high school

MA Economics

State University of New York

Albany, New York

BS Business Administration – Finance

State University of New York

Albany, New York

Business background

Balance Sheet Solutions, LLC

Albany, New York

Senior Portfolio Manager

July 2006 to present

Member Trade Advisory

Albany, New York

Portfolio Manager

February 2004 to June 2006

Registrations & examinations

None

Professional certification/designations

CFA Charterholder

Disciplinary Information

None

Other business activities

None

Additional Compensation

None

Supervision

Kris does not directly supervise others.

Daniel Frilot – Educational and Business Background

Formal education after high school

MBA

California Polytechnic University
Pomona, California

BS – Business Administration

California State University
Fullerton, California

Western CUNA Management Schools

Zeta Class of 2008

Business background

Balance Sheet Solutions, LLC

Covina, California
SVP, Director of ALM Risk Management Services
January 2013 to present

Balance Sheet Solutions, LLC

Covina, California
Senior Interest Rate Risk Consultant
January 2011 – December 2012

Western Corporate Federal Credit Union/Western

Bridge Corporate Federal Credit Union

San Dimas, California
Senior Interest Rate Risk Consultant
2007 - 2010

Western Corporate Federal Credit Union

San Dimas, California
Loan Participations and Liquidity Manager
2002 - 2007

Registrations & examinations

None

Professional certification/designations

None

Disciplinary Information

None

Other business activities

None

Additional Compensation

None

Supervision

Dan directly supervises the Assistant Vice
President – ALM Consulting in both Covina, CA
and Albany, NY.

Ryan A. McCarroll, CFA – Educational and Business Background

Formal education after high school	BSBA – Finance Northern Arizona University Flagstaff, AZ
Business background	Balance Sheet Solutions, LLC Naperville, Illinois Senior Portfolio Manager March 2015 to present System United Corporate Federal Credit Union (dba SunCorp) Westminster, CO Portfolio Manager March 2014 to March 2015 System United Corporate Federal Credit Union (dba SunCorp) Westminster, CO Senior Risk Analyst & Risk Analyst positions March 2011 to March 2014
Registrations & examinations	Series 65 – NASAA Investment Advisors Law Examination
Professional certification/designations	CFA Charterholder
Disciplinary Information	None
Other business activities	None
Additional Compensation	None
Supervision	Ryan does not supervise others.