



Form ADV Part 2

March 12, 2013

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 Mary G. Westberg, Chief Compliance Officer at 630-276-2708. Email inquiries may be sent to mary.westberg@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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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, with an official approved close of the broker-dealer 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 is a federally chartered corporate credit union formed on October 24, 2011 and 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:

- Andrew Kohl, SVP, Director, Investment Advisory Services
- Thomas Slefinger, SVP, Director, Institutional Fixed Income Sales
- Daniel Frilot, SVP, Director, ALM Risk Management
- Kevin Chiappetta, Executive Director Advisory Services
- Mary G. Westberg, Executive Director Chief Compliance Officer & Administration

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

The 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.

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 Manager)

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 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
- Strategic planning

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

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	\$800.00
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%)

Balance Sheet Analytics Program

The fee for the Balance Sheet Analytics program is an ongoing monthly fee of \$1,000, and a \$2,000 one-time set up fee.

Ala Carte Services

Share Sensitivity Analysis

The fee for preparing a share sensitivity analysis is \$4,000. Subsequent reports within an 18 month rolling period would be at \$3,000.

Portfolio Benchmarking Analysis

The fee for developing a client's benchmark portfolio is \$2,500.

Asset/Liability Management Services

Asset/Liability Interest-Rate Risk Modeling & Consulting

The fee for Asset/Liability Interest Rate Risk Modeling depends on the parameters defined in the agreement including size and complexity of the balance sheet and specific modeling parameters. The base fees start as follows:

Quarter End Runs \$9,270 / run	Additional Modeling and/or Consulting \$175 / hour
Non-Quarter End Runs \$7,625 / run	Additional Modeling and/or Consulting \$175 / hour

Asset/Liability Management Modeling (A/L Manager)

The fee for A/L Manager includes a one-time set up fee of \$2,000. The following table defines Balance Sheet Solutions' pricing for A/L Manager:

Frequency of Reporting	Annual Fee
Monthly (12 reports)	\$12,000
Quarterly (4 reports)	\$5,000
Semi-annual (2 reports)	\$3,000
Annual (1 report)	\$2,500

Annual fees for this service are due at the time of the contract signing and on the anniversary date each following year. If a client elects not to receive a report(s) within the agreed upon timelines, and/or does not provide the necessary input data, Balance Sheet Solutions does not offer refunds for unused portions of the agreement.

A/L Management Reporting (A/L Reporter)

The fee for A/L Reporter includes a \$500 one-time set up fee. The following table defines Balance Sheet Solutions' pricing for A/L Reporter.

Frequency of Reporting	Annual Fee
Quarterly (4 reports)	\$2,500
Semi-Annual (2 reports)	\$2,000

Annual fees for this service are due at the time of contract signing and on the anniversary date of each following year. If a client elects not to receive a report(s) within the agreed upon timelines, and/or does not provide the necessary input data, Balance Sheet Solutions does not offer refunds for unused portions of the agreement.

Asset/Liability Management Validation Modeling

The fee for performing a one-time model validation is between \$7,000 and \$10,000 depending on asset size and complexity of the balance sheet.

Consulting and Customized Services

Balance Sheet Solutions charges an hourly fee of \$175 for its consulting services plus travel and incidental expenses. At the discretion of Balance Sheet Solutions, a variable and/or fixed fee can be negotiated with a client prior to finalizing the scope of the consulting arrangement. Prior to entering into a consultative or contractual relationship with a client, Balance Sheet Solutions will provide a written proposal defining the scope, timing and fees associated with the client service request.

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 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 an Executive Director 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.

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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.

Andrew R. Kohl, CFA – Educational and Business Background

Formal education after high school

MBA Finance, Economics & Accounting

University of Chicago

Chicago, IL

BA Sociology

University of Connecticut

Storrs, CT

Business background

Balance Sheet Solutions, LLC

Warrenville, Illinois

SVP, Director, Investment Advisory Services

August 2012 to present

Alloya Corporate Federal Credit Union

Warrenville, Illinois

VP Portfolio Manager

July 2006 to present

Mid-States Corporate FCU

Warrenville, Illinois

Portfolio Manager

January 2004 to June 2006

Registrations & examinations	None
Professional certification/designations	CFA Charterholder
Disciplinary Information	None
Other business activities	None
Additional Compensation	None
Supervision	Andrew directly supervises the Executive Director - Investment Advisory and the Senior Analyst, Investments.

Kevin P. Chiappetta, CFA – Educational and Business Background

Formal education after high school

BBA Accounting

St. Norbert College

DePere, Wisconsin

Business background

Balance Sheet Solutions, LLC

Warrenville, Illinois

Executive Director, Advisory Services

May 2010 to present

Balance Sheet Solutions, LLC

Warrenville, Illinois

Senior Portfolio Manager

June 2006 to May 2010

Mid-States Investment Solutions LLC

Warrenville, Illinois

Director, Investment Sales

May 2004 to June 2006

Registrations & examinations

Series 66

Professional certification/designations

CFA Charterholder

Disciplinary Information

None

Other business activities

None

Additional Compensation

None

Supervision

Kevin directly supervises the Senior Portfolio Managers.

Darren D. Fago, CFA – Educational and Business Background

Formal education after high school

BS Psychology

Illinois State University

Normal, Illinois

MBA Finance

Edgewood College

Madison, Wisconsin

Business background

Balance Sheet Solutions, LLC

Warrenville, Illinois

Senior Portfolio Manager

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 does not supervise others.

Kristina M. Muller, CFA – Educational and Business Background

Formal education after high school	BS Business Administration – Finance State University of New York Albany, New York MA Economics 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 Director, Risk Management Operations and the Sr. Interest Rate Risk Consultant/Office Manager in the ALM Consulting area.