

Financial Solutions, Inc.

Firm Brochure

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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 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

Item 2 - Material Changes

Since the Firm last updated its Brochure in March 2019 Financial Solutions has:

1. Changed the date of this Brochure; and
2. Updated the assets under management.

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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 managing assets for clients since that date.

The Firm is managed by Gary W. Gould, the President, Managing Principal, Chief Investment Officer and primary shareholder of the Firm. Richard Isaac Kohlbacher joined the Firm in December 2016 as Portfolio Manager. Additionally, effective January 1, 2017, Mr. Kohlbacher was named Chief Compliance Officer. Mr. Gould has the definitive power, directly and indirectly, to exercise a controlling influence over the management of Financial Solutions and is therefore the Firm's only *Management Person*.

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 methods across multiple investment strategies. The Firm serves as the investment adviser to the FSI Low Beta Absolute Return Fund, a registered closed-end, management investment company (*Fund*), and provides an options overlay strategy titled Tactical Risk Control Overlay that aims to reduce equity market beta for underlying Client's equity portfolios using a proprietary, computer generated model. See Item 8 for more information and the risks associated with the implementation methods utilized.

C. Tailoring Services to Needs of Clients

Although all assets are invested using the Firm's proprietary strategies, Financial Solutions adapts the strategies for each Client to address the specific needs, requirements and requests of the Client. To do so, Financial Solutions identifies and discusses the objectives, risk tolerance levels, financial needs, investment restrictions and any specific 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, 2019, Financial Solutions had \$119.7 million in assets under management, all of which the Firm 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. The Firm generally charges 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, for Clients that have significant amounts of assets under management, or Clients that are receiving multiple services from Financial Solutions and its affiliates. On very limited occasions, the negotiated fees may include a performance-based fees coupled with an asset-based fee that may differ from the asset-based fees described below. Financial Solutions assures that any performance-based fees it charges are structured so that they comply with the requirements required by the SEC.

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%

The fees above are charged for the Firm's Tactical Risk Control Overlay, based upon written contracts with each client. For the Firm's investment management and advisory roles to the Fund the fees are charged by the entity. The Firm does not double charge any clients for services provided.

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 in which the Firm provides its Tactical Risk Overlay services based upon the Client's contract. If requested, Financial Solutions delivers to each Client a quarterly statement that provides the Client with a valuation of the cash and securities in the Client's account as of the end of the last quarter. Where Financial Solutions invests Client assets directly into securities, Financial Solutions uses the values shown on the statements provided by the broker or other custodian holding those securities. Where Financial Solutions invests Client assets in a fund managed by an unaffiliated investment adviser (*Subadviser*), Financial Solutions relies on valuations of the fund securities provided by the Subadviser. For securities that are not valued by either the Subadviser or the custodian, Financial Solutions will use a pricing agent to value the securities or will determine the value based on the market value of comparable securities.

4. Margin

If a Client uses margin or otherwise borrows against the securities in the Client's account, Financial Solutions will base its fees on the gross market value of the securities in the Client's account for which it is employing the Tactical Risk Control overlay, without any deductions for the amount of margin or other liabilities against those securities.

B. Payment of Fees

Financial Solutions calculates its management fees at the end of each quarter, based on the value of the assets under management at the end of the quarter. Financial Solutions does not deduct fees from Client accounts; the Firm sends a billing statement to each Client after the quarter ends. All fees for management services are charged in arrears and due and payable within 30 days of the date of the billing statement.

C. Other Fees Paid by Clients

1. Fund Fees

The Management Fee described above that is charged by Financial Solutions is separate from any fee or fees charged by the Subadvisers of funds that Financial Solutions uses to implement its strategies. Typical Subadviser management fees range from 1.0% to 1.25% 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 in advance of any services performed.

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

As disclosed in Item 5, Section A.1, Financial Solutions does not generally offer performance fees. On limited occasions, Financial Solutions may enter into fee negotiations with a Client that would include a performance-based fee, which is a fee based on the increase in value of the assets under management. Performance-based fees could create an incentive for the Firm to invest in higher risk securities to attempt to increase its fee. In addition, the Firm could have an incentive to allocate higher performing securities to the Client accounts that are paying performance-based fees.

Financial Solutions believes that potential conflicts of interests are minimized, since generally, except where a Client provides specific instructions to the Firm, Financial Solutions uses a similar strategy for all Clients and purchases the same or similar securities for each Client Account. Where there is a choice on allocation of securities among Client accounts, Financial Solutions follows an internal procedure governing the allocation of securities, which procedure is intended to avoid or reduce conflicts.

Item 7 - Types of Clients

A. Categories of Clients

The Clients of Financial Solutions consist primarily of high net worth individuals, foundations, financial institutions, endowments, pension plans and other institutional investors. Financial Solutions is also the investment adviser to the FSI Low Beta Absolute Return Fund, a registered closed-end, management investment company (*Fund*).

B. Qualifications

All Clients must be able to bear the risks of the types of investments selected by Financial Solutions, which can include options, futures, hedge funds, other private funds or other illiquid investments. Most Clients must be both (i) an *accredited investor* as defined in Rule 501 of Regulation D adopted by the SEC under the Securities Act of 1933 and (ii) a *qualified client* as defined in Rule 205-3(d) adopted by the SEC under the Investment Advisers Act of 1940. Under certain circumstances, such as when a prospective client is related to, or affiliated with, an existing Client, Financial Solutions may accept a Client who does not meet both definitions; provided the client is able to bear the risks of the investment and the client or the client's adviser is capable of understanding the investments.

Purchasers of interests in the Fund sponsored by Financial Solutions must meet any requirements imposed by the Fund.

C. Net Worth and Portfolio Minimums

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 methods in managing Client accounts. Financial Solutions uses financial futures, cash equivalent securities, options, private funds, including the Fund, and index options via the Tactical Risk Control Overlay strategy to implement its strategies. Although Financial Solutions utilizes information, reports and data from various external sources, its investment decision-making is based primarily on its proprietary internal research and analyses. The Firm also relies on its internal technology capabilities in implementing its strategies. Specifically, for the Tactical Risk Control Overlay, Financial Solutions utilizes a proprietary, computer generated model to help initiate equity index options positions that aim to reduce equity beta in client portfolios. The objective of the strategy is to maintain a series of options-based hedges against stock price declines while minimizing interference with stock price advances. The computer-generated model takes into account quantitative data to help establish guidelines as to how to set options positions from a trading perspective. This model helps Financial Solutions evaluate the imbedded risk in the equity markets at any given point in time.

B. Risks of Strategies Used

The strategies used by Financial Solutions, as described above, include option writing/buying and futures, all of which can present high risk of loss and volatility. Financial Solutions attempts to balance the overall risks to its Clients by investing a portion of their portfolios in some cash or cash equivalent investments; however, there is no assurance that these investments will balance such risk or reduce the overall risks inherent in the strategies used by Financial Solutions. Specifically, with regards to the internal technology utilized in the management of the Tactical Risk Control Overlay, there are inherent risks of utilizing such a strategy and relying on computer driven models that help make investment decisions. Specifically, the computer software programs may fail or may have errors that go undetected by Financial Solutions. If issues are present in the data utilized, or if there are errors in Financial Solutions' computer software, there may be adverse impacts to Clients. Additionally, should events beyond the Adviser's control cause a disruption in the operation of any of the computer technology or equipment, the strategy may experience losses or other adverse effects. These factors should be taken into account when evaluating the strategy. Clients should be prepared to bear the risk of loss.

C. Risks of Securities

All investments are subject to market risks, risks related to the type of industry involved and other risks of investments. Investments in hedge funds can involve high risk, can be volatile and usually 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 Gary Gould (the only person having the power, directly or indirectly, to exercise a controlling influence over the management of Financial Solutions) has been involved in any legal or disciplinary proceedings that regulatory authorities consider material to an evaluation of the Firm by Clients or prospective Clients. Regulatory authorities consider the following types of matters to be material:

A. Criminal or Civil Actions

1. Conviction of a crime;
2. pleading guilty, nolo contendere, or no contest in any criminal proceeding;
3. being named in a currently pending criminal action;
4. having been found to have violated any investment-related statute or regulation;
5. being named in any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, the person from engaging in any investment-related activity, or from violating any investment-related statute, rule or order.

B. Administrative Proceedings

Administrative proceedings 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 the person was subject to any of the following:

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 person's authority to act in an investment-related business; or
 - b. barring or suspending the person from association with an investment-related business; or
 - c. otherwise significantly limiting the person's investment-related activities; or
 - d. imposing a civil monetary penalty.

C. Action by Self-Regulatory Organizations

Any proceeding before any self-regulatory organization, such as the Financial Industry Regulatory Authority, in which a 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:
 - a. barred or suspended from membership or from association with other members, or was expelled from membership; or
 - b. otherwise significantly limited from investment-related activities; or
 - c. subject to a monetary fine.

Interested persons may confirm the above statements by reviewing the information available about Financial Solutions and Mr. Gould on the website of the SEC at www.adviserinfo.sec.gov. That website also has information about other registered investment advisers and their registered advisory representatives.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration

Neither Financial Solutions nor Mr. Gould 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 Mr. Gould 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

Gary W. Gould is the Principal Executive Officer and a Trustee of the FSI Low Beta Absolute Return Fund, a closed end, registered management investment company. Financial Solutions serves as the Adviser to the Fund and Mr. Gould is the portfolio manager of the assets of the Fund. See Section A of Item 7, above.

Gary W. Gould is the largest shareholder and only voting member of Financial Solutions and is the sole shareholder and voting member of Corporate Consulting Group, Inc. (***Corporate Consulting***), a registered investment adviser that provides consulting services to the clients, but does not provide ongoing management services or discretionary investment services. Corporate Consulting is registered as an investment adviser with the SEC pursuant to SEC Regulation 203A-2(b). There are no contractual arrangements between Financial Solutions and Corporate Consulting; however, the two entities share the same space and some items of overhead.

D. Recommendation of Investment Advisers

Financial Solutions may occasionally recommend or select other investment advisers for Clients, other than through the selection of hedge funds for investments 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, nonpublic information about any security (***Access Persons***). The Firm has adopted policies and procedures in its Code that the Firm believes are reasonably designed to assure that the interests of Clients always come before the interests of the Firm or its associated persons. The Code prohibits the Firm or its associated persons from trading any security when the Firm has any inside or proprietary information about the security. The Code prohibits associated persons from front-running, trading against or trading parallel to Client transactions. Financial Solutions keeps records of securities transactions by all Access persons, and reviews those records to assure that no Access Person is violating the Code or otherwise trading in conflict with the interests of Clients. See Subsection D, below. A copy of the Code is available to any client or prospective client 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 Access 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 Access 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, depending upon the client, occasionally has discretion to select broker-dealers to execute transactions for Clients, except transactions in hedge funds, which must be executed directly through the Fund. 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 may conduct an immediate review if any of the following should occur:

- there are significant changes in market or economic conditions affecting Client holdings;
- there are significant withdrawals from, or additions to assets under management for a given Client;
- on the request of a Client; or
- for any other reason in the sole discretion of the Firm.

C. Reports to Clients

Each Client, depending upon their specific needs, 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

Financial Solutions may enter into written arrangements to pay cash referral fees of up to 10% of the fees earned by Financial Solutions from referred Clients until the earlier of the date the Client ceases to be a Client of Financial Solutions or the end of up to ten (10) years. The fee is payable to outside individuals or companies (*solicitors*) who refer prospective clients to the Firm. All arrangements with solicitors are documented by a written agreement between Financial Solutions and the solicitor. The agreement will (i) clearly define the duties and responsibilities of the solicitor; (ii) require the solicitor to provide a written Solicitors Disclosure Document to each prospective Client solicited, at the time of the initial solicitation, which document describes the terms and compensation structure of the referral arrangement; (iii) require the solicitor to furnish a copy of the Firm's Form ADV Part 2A and Part 2B for the applicable Portfolio Managers at the time of the initial solicitation; and (iv) require Financial Solutions to obtain a written acknowledgement from the prospective Client at the time a management agreement is signed by the prospective Client, confirming that the Client has received both the solicitor's disclosure document and the Firm's Form ADV Parts 2A and 2B.

In instances when an Investment Advisory Representative ("IAR") of Financial Solutions encourages individuals or companies to contact our Firm for advisory services and they subsequently become Clients, the IAR is paid additional compensation as a referral fee.

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

It is the policy of the Firm generally not to accept the responsibility of voting shares held by its Clients by executing the proxies for those shares. There are occasions, such as when advising a registered management investment company, that Financial Solutions will agree to execute proxies for Clients. The Firm is committed to minimizing conflicts of interest when voting proxies on behalf of the Firm's Clients, and strives to ensure that proxies are voted in the best interest of the Client. Financial Solutions has adopted the following voting guidelines when voting proxies for Clients:

- Since the quality and depth of management is a primary factor in Financial Solutions' selection of an entity for investment, the recommendation of the entity's management on routine matters will be given substantial weight; however, Financial Solutions will not follow management's recommendation if Financial Solutions in its discretion believes that management's recommendation is not in the best interests of the Client.
- Financial Solutions evaluates all non-routine matters on a case-by-case basis and will generally discuss the matter with the Client before voting the proxy.
- Financial Solutions may abstain from voting a proxy if Financial Solutions, in its discretion believes that abstaining is in the best interest of the Client.

Financial Solutions recognizes that on occasion the Firm may have a conflict of interest in voting proxies on behalf of the Client. A conflict of interest means any circumstance in which Financial Solutions (including its officers, directors, agents and employees) or an affiliate of Financial Solutions knowingly does business with, receives compensation from, or sits on the board of, a particular entity and, therefore, may appear to have a conflict of interest in voting those securities.

If Financial Solutions determines that a material conflict of interest exists, the Chief Compliance Officer will determine whether it is appropriate to disclose the conflict to the affected Clients, to give the Clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as receiving an independent third-party voting recommendation. Clients may obtain proxy voting information from Financial Solutions and may also obtain a copy of the proxy voting policies and procedures upon request.

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.