



**Form ADV Disclosure Brochure for Clients and Prospective Clients of First Affirmative Financial Network, LLC**

**INTRODUCTION AND OVERVIEW (Item 1)**

This Disclosure Brochure provides information about the qualifications and business practices of First Affirmative Financial Network, LLC (First Affirmative). First Affirmative, a wholly-owned subsidiary of FOLIO<sup>fn</sup>, Inc. (Folio Parent), is an investment advisor registered (RIA) with the U.S. Securities and Exchange Commission (SEC) with its principal place of business at 5475 Mark Dabling Boulevard, Suite 108, Colorado Springs, Colorado 80918. It should be noted that, while First Affirmative is registered with the SEC, such registration does not imply a certain level of skill or training.

This Disclosure Brochure is required to be delivered to any prospective client prior to entering into an investment advisory relationship with First Affirmative. Additional information about First Affirmative is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search the SEC’s website for information about an RIA by using the RIA’s unique identifying number known as a “CRD number.” First Affirmative’s CRD number is

109036. You can also access an electronic copy of this document in a publicly accessible area on the First Affirmative website at [www.firstaffirmative.com](http://www.firstaffirmative.com).

If you have any questions about the contents of this Disclosure Brochure, please contact First Affirmative’s Chief Compliance Officer, Kathy Lewis, at 719.636.1045 x119 or [kathy@firstaffirmative.com](mailto:kathy@firstaffirmative.com). While submitted to the SEC, the information in this Disclosure Brochure has not been approved or verified by the SEC or by any state securities authority.

**MATERIAL CHANGES (Item 2)**

Consistent with SEC rules, First Affirmative updates this Disclosure Brochure at least annually, within 120 days of the close of the firm’s fiscal year, which is December 31. If there are material changes from the prior annual update of this Disclosure Brochure (and you received a prior version of this Disclosure Brochure), such changes will be set forth in the “Summary of Material Changes” accompanying this Disclosure Brochure.

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**First Affirmative Financial Network, LLC**

5475 Mark Dabling Boulevard, Suite 108  
Colorado Springs, Colorado 80918

800.442.7284 / 719.636.1045  
Fax: 719.636.1943  
[www.firstaffirmative.com](http://www.firstaffirmative.com)

Registered Investment Advisor  
(SEC File # 801-56587)

December 31, 2017

## ADVISORY BUSINESS (Item 4)

First Affirmative, a wholly-owned subsidiary of Folio Parent, is an RIA with its principal place of business in Colorado Springs, Colorado.

First Affirmative provides investment advice consistent with the philosophies of sustainable, responsible, impact (SRI) investing. First Affirmative began conducting business in 1999 and believes (as it has from the beginning) that the ways in which people save, spend and invest can dramatically influence both the fabric and consciousness of society. Investors can make a meaningful difference by consciously directing investment capital toward enterprises that contribute to a clean, healthy environment, that treat people fairly and embrace equal opportunity, that produce safe and useful products, and support efforts to promote world peace. Clients who choose to invest with First Affirmative make a conscious choice to put their money to work for a dual purpose — to provide for a secure retirement, for example, while working for a better, more socially just and environmentally sustainable future for all.

### Sustainable Investment Solutions

Through Network Advisors (defined below) First Affirmative provides, in the capacity of a fiduciary, tailored to the individual needs of the client, discretionary investment advisory services to investors that seek integration of personal values and/or environmental, social and governance (ESG) factors into the construction and management of investment portfolios, using mutual funds, and/or individual securities such as stocks, bonds, exchange traded funds (ETFs), exchange traded notes (ETNs), real estate investment trusts (REITs), American depository receipts (ADRs), government agency or Treasury securities, corporate or municipal bonds, certificates of deposit (CODs), commercial paper or other securities. First Affirmative does not offer discretionary investment advisory services concerning direct ownership of commodities, futures, derivatives, or short selling.

The offered investment advisory services are sometimes referred to here as “Managed Mutual Fund Accounts, “Multi-Manager Accounts” or “Fixed Income Accounts” for implementation, collectively known as “Sustainable Investment Solutions.” These services are offered via discretionary accounts at our approved custodian broker-dealers (Folio Institutional®, a division of Folio Investments, Inc. (Folio Institutional, also a wholly-owned subsidiary of Folio Parent), Charles Schwab Advisor Services (Schwab) and The Kingdom Trust Company (Kingdom Trust)) and certain third party platforms such as FTJ FundChoice, LLC (FTJ) and Geneos Wealth Management, Inc. (Geneos/SelectOne).

In addition to discretionary investment advisory services, First Affirmative also:

- Offers financial planning services;
- Offers financial planning or investment or retirement consulting services (on an hourly or on a retainer basis) to individuals and their families, trust, estates, retirement plans and companies;
- Offers model portfolio management;
- Makes its products and services available on third party custodial platforms; and
- Publishes periodicals relating to ESG and SRI issues as well as market and economic commentary.

## Discretionary Investment Advisory Services: Sustainable Investment Solutions in Practice

### || Network Advisors

First Affirmative has a nationwide network of qualified investment professionals, known as Network Advisors, who assist clients in achieving their financial goals by providing individualized investment advice, in the capacity of a fiduciary, with respect to securities products. All of the following relationships are included in the definition of Network Advisor as used in this Disclosure Brochure:

- **Investment Advisory Representatives (IARs) of First Affirmative.** IARs are Network Advisors who are registered specifically with, and are supervised by, First Affirmative, and offer investment advisory services and products approved by First Affirmative. In some instances, IARs also may, as an outside business activity, offer non-securities products such as life insurance and tax preparation services, which are not provided, recommended or approved by First Affirmative. First Affirmative does not provide investment advisory services with respect to such non-securities products.
- **Selling Agreements with Third Party Broker-Dealer (BDs) or Third Party RIA Firms.** Certain individuals who are not registered and supervised by First Affirmative, but who are registered representatives of third party BD and RIA firms, may include First Affirmative services in the overall package of investment advisory services made available to their clients, provided the third party BD and/or RIA that they represent enters into a selling agreement with First Affirmative.

Pursuant to such selling agreements with a third party BD, First Affirmative provides discretionary investment advisory services that are separate from, but complimentary to, brokerage services provided to clients. Pursuant to such selling agreements with a third party RIA, First Affirmative acts as a co-advisor to the clients.

Such third party BD and/or RIA representatives may also offer products and services that are not provided, recommended or approved by First Affirmative, which may be more or less expensive than First Affirmative services. The description of compensation to First Affirmative in Item 5 below, does not include the compensation that such third party BDs or RIAs and their representatives may earn from services unrelated to First Affirmative services.

- **Solicitor's Agreements with Broker-Dealers or other Third Party RIA Firms.** Pursuant to agreements with third party BD and RIA firms (referred to as solicitors' agreements), such third party BD and RIA firms may introduce their clients to First Affirmative for its discretionary investment advisory services. Solicitors may offer other products and services or introduce their clients to other advice providers besides First Affirmative. First Affirmative does not recommend or approve the activities of such solicitors or the products or services provided by them and such products and services may be more or less expensive than First Affirmative's products and services. The description of compensation to First Affirmative in Item 5 below, does not include the compensation that such third party BDs or RIAs and their representatives may earn from services unrelated to First Affirmative services.

- **Sub-Advisory Agreements with Third Party RIA Firms.**

A third party RIA firm may retain First Affirmative as a sub-advisor to its clients. First Affirmative does not recommend or approve the activities of such third party RIA firms or the products or services provided by them and such products and services may be more or less expensive than First Affirmative products and services. The description of compensation to First Affirmative relating to sub-advisory agreements, as discussed in Item 5 below, does not include the compensation that such third party RIA may earn on assets not sub-advised by First Affirmative.

## **|| Independent Sub-Advisors and Third Party Model Managers**

In the course of offering Sustainable Investment Solutions discretionary investment advisory services, First Affirmative may seek the expertise of third party firms that act as model managers in developing model investment strategies (Third Party Model Managers) and/or as fiduciary sub-advisors to First Affirmative for separate investment management accounts (Sub-Advisor).

## **|| Discretionary Investment Advice**

Through its Network Advisors, First Affirmative creates unique relationships with clients by combining discretionary investment advisory services and advanced financial technologies with responsible investment strategies that consider ESG factors and SRI values. Generally, First Affirmative's innovative approach combines:

**Fiduciary Responsibility.** In First Affirmative's relationship with clients where First Affirmative is providing discretionary investment advice, First Affirmative acknowledges that it serves and acts in a fiduciary capacity.

**Individualized Advice.** One size does not fit all. First Affirmative offers a variety of fee-based investment options, each designed to best meet the needs of individual clients and/or specific types of clients. The client has the opportunity to place reasonable restrictions on the types of investments to be held in the client account.

**Objectivity.** Network Advisors provide their clients with objective advice. Fees for account management are generally based on assets under management and, as a result, the client's interests, the interests of the Network Advisor and the interests of First Affirmative are closely aligned.

## **|| Wrap Fee Program Participation**

First Affirmative participates in one wrap fee program - sponsored by Geneos/SelectOne, with First Affirmative offering proprietary investment model portfolios constructed and managed by First Affirmative (Proprietary Models) on the platform. The Proprietary Models on the Geneos/SelectOne platform are required to meet certain criteria set by Geneos/SelectOne and any models listed are subject to ongoing reviews. First Affirmative constructs such models with the same investment philosophy and process as it uses in other Proprietary Models. However, the included securities are restricted to securities that are approved by Geneos/SelectOne and are consistent with Geneos/SelectOne's asset allocation strategies and model construction guidelines. First Affirmative exercises no discretion with respect to clients subscribed to the model portfolios, but may receive an asset-based fee when a Proprietary Model is used by Geneos/SelectOne or a represen-

tative of Geneos/SelectOne in making a recommendation to a client. First Affirmative also sponsors two wrap fee programs, one providing investment management and model management services on the Folio Institutional platform and the other involving FTJ. These programs are further described in First Affirmative's Form ADV Brochure, Part 2A, Appendix 1A (Folio Institutional Wrap Fee Brochure) and Appendix 1B (FTJ Wrap Fee Brochure) (together, Wrap Fee Brochures), which are provided to clients for whom this is applicable.

## **|| 401(k) Plan Advisory Services**

First Affirmative offers investment advisory services to 401(k) plans consistent with Employee Retirement Income Security Act (ERISA) Section 3(21) through use of its model portfolios.

## **Financial Planning**

First Affirmative provides financial planning services which may include personal financial coaching, budget assistance, tax planning, retirement planning, estate planning, or other specialized services. A financial plan is a comprehensive evaluation of a client's current and future financial state using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information, and analyses are considered as they impact and are impacted by the financial and life situation of the client. The implementation of the recommendations in a financial plan is entirely at the client's discretion and may be incorporated in First Affirmative discretionary investment advice or implemented on a non-discretionary basis.

## **Retirement and/or Pension Consulting Services**

While the primary clients for these services are pension, profit sharing and 401(k) plans, First Affirmative offers these services through Network Advisors, where appropriate, to individuals and trusts, estates, and charitable organizations. Retirement and/or Pension Consulting Services are comprised of the following non-discretionary consulting services:

- Investment policy statement (IPS) preparation;
- Selection of investment vehicles; and
- Provisions of educational support and investment workshops to self-directed 401(k) plans participants.

## **Model Portfolio Management**

In addition to using independent Third Party Model Managers, First Affirmative also uses Proprietary Models. Some managed mutual fund models use primarily institutional share class funds, whereas other models are constructed with individual securities. Each model portfolio is designed to meet a particular investment or risk tolerance goal.

Certain Proprietary Models are also offered to investors on custodial platforms by RIAs other than First Affirmative (such as Geneos/SelectOne, FTJ and Folio Institutional). When making Proprietary Models available to third parties outside of the context of offering discretionary advice, any action, inaction, or decision in following such models is the sole responsibility of the third party RIA or non-discretionary client using the model.

## Publication of Periodicals

First Affirmative publishes a quarterly newsletter with topics that include but are not limited to ESG and SRI issues. Periodically, First Affirmative produces other publications that focus on specific issues believed to be of interest to clients such as community impact investing or shareholder advocacy. First Affirmative also publishes a quarterly market commentary and a quarterly economic commentary which may provide general information on various topics including, but not limited to, market trends, bond market outlook, etc. No specific investment recommendations are provided in these publications and the information provided does not purport to meet the objectives or needs of any individual. Newsletters, market commentaries, and other such publications are designed for and are distributed free of charge to clients.

## Discretionary and Non-Discretionary Assets Under Management

As of December 31, 2017, First Affirmative was actively managing on a discretionary basis \$893,901,953 of client assets (referred to as “assets under management”). The firm also had \$178,328,831 in non-discretionary assets under administration (referred to as “assets under administration”).

## FEES AND COMPENSATION *(Item 5)*

### Discretionary Investment Management Fees

First Affirmative’s primary source of compensation is via fees charged for discretionary investment management. These fees are charged based on the amount of assets managed for clients, the types of services provided and First Affirmative’s arrangements with the custodial broker-dealers, as detailed below.

#### || Fees for Assets Custodied with Folio Institutional

**Wrap Fee.** The fee structure shown in the table below represents the maximum “wrap fee”, which includes all investment management, trade execution, custody and clearing services, unless specifically noted as a separate charge, provided by Folio Institutional, which also is a wholly-owned subsidiary of Folio Parent along with First Affirmative. Fees on assets custodied with Folio Institutional are charged as a percentage of assets under management, annualized, in arrears, on a quarterly basis according to the schedule below. Account asset value is determined using the average daily balance in your account throughout the quarter wrap fee program involving Folio Institutional (Folio Institutional Wrap Fee Pro-program) is further discussed in the Folio Institutional Wrap Fee Brochure. To the extent that First Affirmative agrees not to automatically deduct fees from a client’s

Tier	Dollar Value of Assets Under Management	Managed Mutual Fund Accounts Using Institutional Class Mutual Fund Shares	Multi-Manager Accounts
On the first	\$100,000	1.55%	1.80%
On the next	\$100,000	1.50%	1.80%
On the next	\$300,000	1.45%	1.67%
On the next	\$500,000	1.30%	1.47%
On the next	\$1,000,000	1.20%	1.32%
On the next	\$1,000,000	1.00%	1.22%

Tier	Dollar Value of Assets Under Management	Managed Mutual Fund Accounts Using Institutional Class Mutual Fund Shares	Multi-Manager Accounts
On the next	\$2,000,000	0.95%	1.12%
On the next	\$5,000,000	0.80%	0.80%
On the next	\$2,820,000	0.70%	0.75%
On the next	\$7,180,000	0.70%	0.75%
Above	\$20,000,000	Negotiated	Negotiated

The wrap fee may be more or less than the aggregate fee for services if they were offered separately. Some factors that may contribute to the relative cost differential include, but are not limited to, the brokerage and clearing costs, commissions based on trading frequency or commissions based on type of security (e.g., mutual fund versus single stock) and the variety of mutual fund share classes that may be used in managed mutual fund models.

New accounts are subject to the following minimums:

- Managed Mutual Fund Accounts: \$50,000
- Multi-Manager Accounts: \$50,000

These minimums are negotiable and are dependent on a variety of factors, including but not limited to other accounts in a client household (a group of adults who all live at the same address who have investment accounts with First Affirmative). Exceptions may be available on a case-by-case basis.

**Transaction-Based Pricing.** Under certain circumstances, for non-retirement accounts, some trades are charged on a per transaction basis. These are trades that are sent directly to the market outside of Folio Institutional’s patented window trade process where orders are grouped together by size and symbol one or more times per day and executed in such groups. These are fees charged by Folio Institutional per transaction in your non-retirement account.

Telephone	\$45.00 per trade
Internet	\$3.95 per trade

Folio Institutional also will charge the account transaction fees based on the above schedule if securities are transferred into a non-retirement account and need to be sold to implement a client’s new investment strategy.

**Fees Upon Termination of Services.** Folio Institutional may charge a termination or transfer-out fee, which may change from time to time. This fee is determined by Folio Institutional and the monies received are not shared with First Affirmative.

**Special Service Fees.** In addition to the fees above, clients are still responsible for any special fees incurred at the client’s request, such as wire transfer fees, etc. which are charged and disclosed by Folio Institutional. All fees are subject to change and can be found at: [https://folioclient.com/content/gui/popup\\_serviceFees.jsp](https://folioclient.com/content/gui/popup_serviceFees.jsp).

**Costs for Third Party Services.** Folio Institutional passes through the costs from third parties, including, but not limited to, the following:

- Services provided by broker-dealers other than Folio Institutional;
- SEC and securities exchange fees;
- Transfer taxes;
- Fees for odd lot differentials;
- Mutual fund short-term redemption fees;
- Margin interest; and
- Other similar costs and charges.

**Mutual Fund Transaction Commissions Charged to Clients with Assets at Folio Institutional.** Some mutual funds that are included in client investment portfolios offer different types of shares, known as “share classes.” Each share class has different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. For example, class A shares, also called “retail shares”, usually have a front-end load or charge (commission) which is paid to the custodial broker-dealer when the mutual fund is purchased. Institutional class shares, in contrast, generally are available only to institutional investors and may have very different fees and expenses from class A shares, but generally do not require front-end commissions. See the SEC website, the Financial Industry Regulatory Authority website or the relevant mutual fund share prospectus for additional information regarding share classes.

First Affirmative generally includes only institutional class shares with no front-end loads in the Managed Mutual Fund Accounts custodied with Folio Institutional and, to the extent it does include a mutual fund that typically has a front-end load, it will do so only if the front-end load is waived. There is no transaction fee for purchasing mutual fund shares at Folio Institutional.

**Mutual Fund Company Payments to Folio Institutional.**

Folio Institutional also may receive compensation from mutual fund companies for shares held in non-retirement accounts custodied with Folio Institutional. Such compensation is not shared directly with First Affirmative, but First Affirmative and Folio Institutional are both wholly-owned subsidiaries of Folio Parent. Mutual funds that compensate custodians such as Folio Institutional may be more expensive for clients than other funds as a result of the compensation paid. First Affirmative will recommend lower cost institutional class shares (which do not pay compensation to Folio Institutional) whenever possible. In retirement accounts such as individual retirement accounts (IRAs), First Affirmative will include only mutual fund companies or mutual fund share classes that do not pay compensation to Folio Institutional.

**Additional Expenses to Clients relating to Mutual Fund Holdings.** Mutual funds have internal expenses, such as portfolio management, legal and accounting, printing, marketing, trading costs and other administrative expenses, including fees paid to custodians. Fund expenses are more fully disclosed in each mutual fund prospectus. They are accounted for and charged internally by the mutual funds and monies collected or retained are not shared with First Affirmative, any affiliate of First Affirmative or any Network Advisor.

Any mutual fund sale within a defined period time per the mutual fund prospectus after the initial purchase may trigger a contingent deferred sales charge by the mutual fund company on each transaction. These charges vary among the mutual funds that may be held in a client account.

**|| Fees for Assets Custodied with Kingdom Trust**

**First Affirmative Fees.** The fee structure shown in the table below represents the maximum fees that are charged by First Affirmative for managed assets custodied with Kingdom Trust. The fees below represent First Affirmative’s fee for discretionary investment advisory services. Kingdom Trust may charge fees for its services (for example, trade execution, custody and clearing services) that are in addition to the asset-based fees charged by First Affirmative. See Item 12 below for further information regarding brokerage fees. Fees on assets custodied with Kingdom Trust are charged as a percentage of assets under management, annualized, in arrears, on a quarterly basis according to the schedule below. To the extent that First Affirmative agrees not to automatically deduct fees from a client’s assets, the client will be invoiced for fees incurred. Note that Kingdom Trust fees are not wrap fees.

Tier	Dollar Value of Assets Under Management	Fixed Income Accounts (at Kingdom Trust)
On the first	\$200,000	1.00%
On the next	\$300,000	1.00%
On the next	\$500,000	0.80%
On the next	\$1,000,000	0.80%
Above	\$2,000,000	0.70%

New accounts are subject to the following minimums:

- Fixed Income Accounts: \$200,000 (total assets)
- Cash \$200

These minimums are negotiable and are dependent on a variety of factors, including but not limited to other accounts in a client household. Exceptions may be available on a case-by-case basis.

All fees are subject to change with 30 days’ written notice and can be found at: <https://www.kingdomtrust.com/forms-fees/fee-schedules>. All fees are subject to change with 30 days’ written notice.

**|| Fees for Assets Custodied with Schwab**

**First Affirmative Fees.** The fee structure shown in the table below represents the maximum fees that are charged by First Affirmative for managed assets custodied with Schwab. The fees below represent First Affirmative’s fee for discretionary investment advisory services. Schwab may charge fees for its services (for example, trade execution, custody and clearing services) that are in addition to the asset-based fees charged by First Affirmative. See Item 12 below for further information regarding brokerage fees. Fees on assets custodied with Schwab are charged as a percentage of assets under management, annualized, in arrears, on a quarterly basis according to the schedule below. To the extent that First Affirmative agrees not to automatically deduct fees from a client’s assets, the client will be invoiced for fees incurred. Note that Schwab fees are not wrap fees.

Tier	Dollar Value of Assets Under Management	Managed Mutual Fund Accounts (at Schwab Advisor Services)	Fixed Income Accounts (at Schwab Advisor Services)
On the first	\$200,000	1.40%	1.00%
On the next	\$300,000	1.35%	1.00%
On the next	\$500,000	1.20%	0.80%
On the next	\$1,000,000	1.05%	0.80%
On the next	\$1,000,000	0.95%	0.70%
On the next	\$2,000,000	0.85%	0.70%
On the next	\$5,000,000	0.65%	0.70%
On the next	\$10,00,000	0.55%	0.70%
Above	\$20,000,000	Negotiated	Negotiated

New accounts are subject to the following minimums:

- Managed Mutual Fund Accounts: \$50,000
- Fixed Income Accounts: \$250,000

These minimums are negotiable and are dependent on a variety of factors, including but not limited to other accounts in a client household. Exceptions may be available on a case-by-case basis.

Clients also may have assets custodied with Schwab that are not advised by First Affirmative (referred to as “non-discretionary assets”). IARs may assist such clients for a flat fee, which is not asset-based, which is collected quarterly in arrears. First Affirmative’s fee with respect to such assets is in the range of \$40 to \$2,400 per annum. This fee is collected directly from the client account when authorized by the client. If not authorized, the client is directly invoiced for payment.

**Schwab Fees.** All fees are subject to change with 30 days’ written notice.

### Transaction-Based Pricing

The following fees are charged by Schwab per transaction in each client account:

Equity Transactions	
Telephone (Single Stock)	\$0.04 per share; \$20.00 minimum
Telephone: Mutual Funds (Institutional Class Shares)	\$15.00 Per Trade
Telephone: (ETFs)	\$12.95 per Trade
Internet: Client Assets at Schwab <\$1,000,000, with e-Delivery at Schwab	\$8.95 per Trade
Internet: Client Assets at Schwab <\$1,000,000, not enrolled in e-Delivery at Schwab	\$19.95 per trade Plus \$0.15 per share above 1,000 shares
Internet: Client Assets at Schwab >\$1,000,000	\$8.95 flat
Internet: Mutual Funds (Institutional Class Shares)	\$15.00 per Trade
Internet: (ETFs)	\$4.95

Bond Transactions	
Telephone	\$1.20 per bond; \$10.00 minimum; \$275 maximum
Internet / Electronic	\$1.00 per bond; \$10 minimum; \$250 maximum
Government Bonds	\$25.00 flat
Municipal Bonds	Variable
Prime Brokerage / Trade Away	\$25.00 per transaction

### Asset-Based Pricing

These are annual fees and are charged per account. They are calculated and collected by Schwab on a monthly basis.

On the first	\$250,000	0.25% (0.0025 of account value)
On the next	\$750,000	0.10% (0.0010 of account value)
On the next	\$1,000,000	0.08% (0.0008 of account value)
All Above	\$2,000,000	0.03% (0.0003 of account value)

Asset-based pricing fees shown above do not cover Schwab charges for, among other things:

- Services provided by broker-dealers other than Schwab.
- Schwab prime brokerage or trade away services.
- Custody fees for non-standard assets.
- SEC and stock exchange fees, transfer taxes, odd lot differentials, mutual fund short-term redemption fees, margin interest, electronic funds or wire transfer fees, and other similar costs and charges.

All details of the Schwab Advisor Services asset-based pricing fees and limitations are included in the separate “Schwab Advisor Services Asset-Based Pricing Addendum to Account Applications and Agreement” which is included in the new account documentation.

If the client account is custodied with Schwab, in addition to the service fees disclosed in the body of the Investment Advisory Services Agreement, the client will be charged a monthly fee based on assets in the account or fees based on transactions in the account. First Affirmative will recommend the fee structure most beneficial to the client based on the type of account established for the client. These fees are not shared with First Affirmative. Transaction-Based pricing is the typically recommended; asset-based pricing is used rarely.

**Fees Upon Termination of Services.** Schwab may charge a termination or transfer-out fee, which may change from time to time. This fee is determined by Schwab and the monies received are not shared with First Affirmative.

**Mutual Fund Transaction Commissions Charged to Clients with Assets at Schwab.** First Affirmative generally uses only no-load, or load-waived, no transaction fee funds in its managed mutual fund portfolios custodied with Schwab. First Affirmative will not use a mutual fund that has a front-end load if the front-end load is not waived. To the extent that First Affirmative selects institutional class shares for a portfolio at Schwab, clients are charged a \$15.00 per transaction fee for purchasing that share class.

**(ETF) Commissions Charged to Clients with Assets at Schwab.** Clients are charged \$4.95 per trade in ETFs if the client is set up for e-delivery of statements and confirmations with Schwab. If clients receive their statements and confirmations via paper delivery the cost of ETF trades is \$12.95.

**Additional Expenses to Clients relating to Mutual Fund Holdings at Schwab.** Mutual funds have internal expenses, such as portfolio management, legal and accounting, printing, marketing, trading costs and other administrative expenses, including fees paid to custodians. Fund expenses are more fully disclosed in each mutual fund prospectus. They are accounted for and charged internally by the mutual funds and monies collected or retained are not shared with First Affirmative, any affiliate of First Affirmative or any Network Advisor.

Any mutual fund sale within a defined period time per the mutual fund prospectus after the initial purchase, may trigger a contingent deferred sales charge by the mutual fund company on each transaction. These charges vary among the mutual funds that may be held in a client account.

**Mutual Fund Company Payments to Schwab.** There is no custody or trading fee charged on mutual fund transactions at Schwab when mutual funds included in the Schwab Mutual Fund OneSource Select List® (OneSource Fund) are used by First Affirmative in a client portfolio. Schwab is compensated directly from the OneSource Fund companies, which may increase the internal expense of the mutual fund company and impact the client’s return on investment. See “Additional Expenses to Clients relating to Mutual Fund Holdings” above. Such compensation is not shared with First Affirmative.

**|| Fees for Assets Included in the FTJ FundChoice/  
TD Ameritrade, Inc. Wrap Fee Program**

**Wrap Fee.** The FTJ Wrap Fee Program fee includes all costs for investment management, trade execution, and custody and clearing (which is provided by TD Ameritrade, Inc. (TD Ameritrade)), unless specifically noted as a separate charge. Fees on assets included in this program are charged as a percentage of assets under management, annualized, in arrears, on a monthly basis according to the schedule below. The Wrap Fee shown in the table below is collected from each client account by FTJ on First Affirmative’s behalf.

On the first	\$50,000	1.450%
On the next	\$100,000	1.350%
On the next	\$100,000	1.200%
On the next	\$150,000	1.195%
On the next	\$100,000	1.125%
On the next	\$400,000	1.125%
On the next	\$100,000	1.100%
On the next	\$1,000,000	0.950%
On the next	\$1,000,000	0.850%
On the next	\$2,000,000	0.750%
On the next	\$5,000,000	0.550%
All Above	\$10,000,000	0.450%

Third Party Model Managers (also referred to as portfolio managers) utilized by First Affirmative when advising clients on the FTJ platform are paid 0 to 10 basis points (bps) (0.10%) out of the wrap fee. First Affirmative also receives 10 bps when its Proprietary Models are used by third party RIAs in the course of providing fiduciary advice to their clients. Some of the models that are available to IARs for purposes of providing discretionary investment advice to clients on the FTJ Platform are Proprietary Models. When a Proprietary Model is used by an IAR, a client is not charged a separate basis point fee — the wrap fee includes the cost of all Proprietary Models.

There is no minimum size for accounts that are advised by First Affirmative on the FTJ platform and the Wrap fee is negotiable by clients. Negotiated fees are provided to individual clients on a separate schedule.

The wrap fee may be more or less than the aggregate fee for services if they were offered separately. Some factors that may contribute to the relative cost differential include, but are not limited to, the

brokerage and clearing costs, commissions based on trading frequency or commissions based on type of security (e.g., mutual fund versus single stock) and the variety of mutual fund share classes that may be used in managed mutual fund models.

**TD Ameritrade Special Fees.** In addition to the fees above, clients are responsible for the following fees additional charged by TD Ameritrade:

Qualified accounts...

- Check: \$5.00
- Overnight check delivery: \$30.00 (in addition to \$5.00 check fee)
- Stop payment on check: \$25.00
- Voided check: \$25.00
- Stale dated check: \$25.00
- Wire transfer: \$20.00
- ACH: No charge
- Rejected ACH: \$25.00
- Loan fee: \$100.00
- Full liquidation non-ACAT: \$75.00/account
- Termination fee for 401(k) plans (excluding solo 401(k) plans) set-up on the platform on or after May 1, 2013
- Non-qualified (taxable and IRA) accounts at TD Ameritrade...
- Rejected ACH transfer: \$25.00
- ACAT transfer out: \$50.00/account
- Stop payment on check: \$25.00
- ACH: No charge
- Full liquidation non-ACAT: \$75.00/account

All accounts...

- \$25.00 annually for electronic delivery of quarterly reports
- \$75.00 annually for paper delivery of quarter reports

Fees are subject to change upon notice to you by mail, electronically or by posting a notice of such change on the FTJ FundChoice website.

**Mutual Fund Company Payments to TD Ameritrade.** TD Ameritrade also may receive compensation from mutual fund companies for shares held in non-retirement accounts custodied with TD Ameritrade. Such compensation is not shared with First Affirmative. Mutual funds that compensate custodians such as TD Ameritrade may be more expensive for clients than other funds as a result of the compensation paid. First Affirmative will recommend lower cost institutional class shares (which do not pay compensation to TD Ameritrade) whenever possible.

**Additional Expenses to Clients relating to Mutual Fund Holdings.** Mutual funds have internal expenses, such as portfolio management, legal and accounting, printing, marketing, trading costs and other administrative expenses, including fees paid to custodians. Fund expenses are more fully disclosed in each mutual fund prospectus. They are accounted for and charged internally by the mutual funds and monies collected or retained are not shared with First Affirmative.

## **|| Fees for Discretionary Assets Not Held by Custodians Above**

Any private equity, private debt, or direct investment that is not custodied with one of First Affirmative's custodians listed above will be charged a fee of no more than 1.80%. Fees on assets included in this category are charged as a percentage of assets under management, annualized, in arrears, on a quarterly basis. Such assets are valued at least annually by an independent third party. First Affirmative does not verify asset values. To the extent that First Affirmative agrees not to automatically deduct fees from a client's assets, the client will be invoiced for fees incurred.

## **|| Fees for Advisory Services to 401(k) Plans**

When providing discretionary investment advice to a retirement plans, First Affirmative may be compensated based on an annual percentage of plan assets for services involving ongoing reviews (see Item 13, "Review of Accounts").

## **|| Fees paid to Third Party Model**

### **Managers and Independent Sub-Advisors**

In providing discretionary investment advice to clients, First Affirmative may use investment models developed by Third Party Model Managers that are compensated based on the dollar value of assets "subscribed" to the model(s) used. These fees are calculated in the aggregate across all subscribed accounts and are paid from First Affirmative's discretionary investment management fees, consistent with the fee schedules above.

First Affirmative also may recommend independent Sub-Advisors to clients. Under such circumstances, any fee for such Sub-Advisor's services is included in the discretionary investment management fee paid by the client to First Affirmative, consistent with the fee schedules above.

## **|| Advisory Fees in General**

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

## **|| Reasonable Negotiated Custodian Fees and Cost**

Through special arrangements with Schwab, Kingdom Trust, and other select service providers, First Affirmative clients may receive low cost custodial and transaction services. Such fees, when viewed in aggregate with First Affirmative's advisory fee, may be more or less than any wrap fee that First Affirmative offers with respect to the wrap fee programs sponsored by First Affirmative.

## **|| Limited Negotiability of Advisory Fees**

First Affirmative may negotiate alternative fees on a client-by-client basis. The fees above represent maximum fees charged for investment advisory services, which are negotiable. The specific annual fee schedule for each client is attached to the Investment Advisory Services Agreement signed by each client.

First Affirmative's investment management fees may be aggregated over the combined accounts the client establishes with First Affirmative within the same management style or program for the purposes of achieving breakpoints and/or simplified fee collection. Discounts

not generally available to all advisory clients may be offered to family members and friends of representatives, employees and other associated persons of our firm. First Affirmative may also discount fees for non-profit organizations.

***All fees and expenses will affect the performance of your account, which will fluctuate in value and will provide, upon redemption, either more or less than your original investment. Past performance is no guarantee of future results.***

## **Model Portfolio Management Fees**

Proprietary Models may be used as part of the Sustainable Investment Solutions process as well as made available to third party RIAs directly or through a variety of third party platforms. Where a Proprietary Model is used in the provision of investment advice by First Affirmative, the client pays only the advisory fee to First Affirmative. If First Affirmative makes the model available to a third party outside the context of provision discretionary investment advice directly to a client, First Affirmative's fees range from 10 to 30 basis points (0.10% to 0.30%) of assets that are subscribe to First Affirmative's model (specifically excluding any assets that are advised by First Affirmative). Where fees are earned by First Affirmative for making its models available to third parties, the fee may have been negotiated with the platform provider or with the third party RIA.

## **Pension Consulting Fees**

Compensation may take the form of an hourly fee or fixed fee. Alternatively, First Affirmative may charge a hybrid of fees to include a percentage of plan assets for services in addition to a fixed fee or hourly rate, depending on the services requested by the client. For standard hourly and fixed fee rates see the Financial Planning Fees section below.

## **Financial Planning Fees**

Fees for financial plans developed and delivered by IARs are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

The financial planning fees charged by First Affirmative may be calculated and charged on an hourly basis, ranging from \$90 to \$295 per hour.

The financial planning fees charged by First Affirmative also may be charged on a fixed fee basis, ranging from \$250 to \$5,000, depending on the specific arrangement agreed to in advance with the client.

First Affirmative may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will not exceed \$500 for work that will not be completed within six months. Fees for financial plans developed and delivered by Network Advisors who are not IARs may have different pricing structures. Financial plans developed and delivered by Network Advisors who are not IARs are not supervised by First Affirmative and as such are not the responsibility of First Affirmative.

## **Fees Upon Termination of Services**

With respect to the termination of investment advisory services, First Affirmative will create a final invoice that is pro-rated from the point of the last invoice to the date of the termination and send the

invoice to the client for direct payment. The custodian of the client's account(s) may charge a termination or transfer-out fee, which may change from time to time. This fee is determined by the custodian and the monies received are not shared with First Affirmative. Further, if the agreement is terminated by the client within five days after initial execution, no invoice for services will be generated and any monies received by First Affirmative from the client for account management, if any, will be refunded in full.

With respect to fees that are fixed (not a percentage of assets) and prepaid, First Affirmative will refund the entire fee if the client terminates the agreement within five business days. In addition, if a client decides to terminate the agreement prior to the completion of the engagement for financial planning a partial refund will be provided based upon the scope of the work already completed. For example, if the IAR has completed one quarter of the work required, three quarters of the fee will be refunded.

## **PERFORMANCE-BASED FEES** (Item 6)

First Affirmative does not charge performance-based fees.

## **TYPES OF CLIENTS** (Item 7)

First Affirmative provides discretionary investment advisory services to the following types of clients:

- Individuals (including high net worth individuals)
- Pension and profit sharing plan trustees
- Pension and profit sharing plan participants
- Trusts, estates or charitable organizations
- Nonprofit organizations and other non-governmental organizations, corporations or other businesses not listed above

New accounts are subject to the following minimums:

- Managed Mutual Fund Accounts: \$50,000
- Multi-Manager Accounts: \$200,000
- Fixed Income Accounts: \$200,000

These minimums are negotiable and are dependent on a variety of factors, including but not limited to other accounts in a client household. Exceptions may be available on a case-by-case basis. Minimum account requirements may vary between clients depending on the minimums applied at the time of the account opening. First Affirmative does not accept clients that are under any restriction as it relates to the USA Patriot Act or Bank Secrecy Act or comparable legislation.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS** (Item 8)

### **Investment Philosophy**

First Affirmative follows an established investment management process consistent with standards of fiduciary care and with a long-term orientation.

First Affirmative's experience suggests that the financial planning and investment needs of most socially conscious investors can be met

while providing competitive investment returns without a material increase in risk. For most clients, First Affirmative believes that a long-term, diversified approach is the most appropriate investment strategy. First Affirmative supports strategic asset allocation as well as more active portfolio management strategies. First Affirmative does not offer recommendations concerning direct ownership of commodities, futures, derivatives, or short selling but does offer tactical investment strategies appropriate for some investors. First Affirmative may use the following types of investment vehicles in service of achieving client goals and objectives.

- Mutual funds
- Individual stocks
- Exchange traded funds (ETFs)
- Exchange traded notes (ETNs)
- Other exchange traded securities
- American depository receipts (ADRs)
- Government agency securities
- Corporate bonds
- Municipal bonds
- Certificates of deposit
- Real estate investment trusts (REITs)
- OTC securities
- Commercial paper
- Warrants
- Options on equities
- Private placements

### **Methods of Analysis**

First Affirmative and Network Advisors may use the following methods of analysis in formulating investment advice and/or managing client assets:

#### **|| Charting**

In this type of technical analysis, charts of market and security activity are reviewed in an attempt to identify when the market is moving up or down, to predict how long the trend may last, and when that trend might reverse. While this is a common method of analysis, there always is the risk that past performance is not representative of future results or that the assumptions made prove to be incorrect.

#### **|| Fundamental Analysis**

The intrinsic value of a security is analyzed by reviewing economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (suggesting it may be a good time to buy) or overpriced (suggesting it may be time to sell). Fundamental analysis does not attempt to anticipate market movements or changes in value. There is risk in the fact that the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the stock.

## **|| Technical Analysis**

Historical market movements are analyzed and that analysis is applied to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. Risk is inherent in the fact that a poorly-managed or financially unsound company may underperform regardless of market movement.

## **|| Cyclical Analysis**

In this type of technical analysis, the movements of a particular stock against the overall market are analyzed in an attempt to predict the price movement of the security. There always is the risk that past performance is not representative or future results or that the assumptions made prove to be incorrect.

## **|| Quantitative Analysis**

Mathematical modeling is used in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

## **|| Qualitative Analysis**

This type of analysis describes the process of evaluating difficult to quantify factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove to be incorrect.

## **|| ESG Integration**

A sustainable and responsible approach to investing includes both quantitative and qualitative analysis. Management of environment, social, and governance issues and impacts can have a material influence (either positive or negative) on company profitability, value, and share price. Risk is inherent in the fact that a poorly-managed or financially unsound company or product may cause the investment to underperform regardless of its mission.

## **|| Asset Allocation**

Rather than focusing primarily on securities selection, First Affirmative attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

## **|| Mutual Fund and/or ETF Due Diligence**

First Affirmative looks at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. First Affirmative also looks

at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund or funds in the client's portfolio. First Affirmative also monitors the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

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

## **|| Third Party Model Manager and/or Sub-Advisor Due Diligence**

First Affirmative examines the experience, expertise, investment philosophies, and past performance of independent Third Party Model Managers and/or Sub-Advisors in an attempt to determine if there has been demonstrated ability to invest over a period of time and in different economic conditions. First Affirmative monitors the Third Party Model Manager's model holdings, strategies, concentrations and leverage as part of its overall periodic risk assessment. Additionally, as part of First Affirmative's due-diligence process, it surveys a Third Party Model Manager's or Sub-Advisor's compliance and business enterprise risks.

A risk of investing using Third Party Model Manager and/or Sub-Advisors who have been successful in the past is that they may not be able to replicate that success in the future. In addition, as First Affirmative does not control the underlying investments in a Third Party Model Manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients. Moreover, as First Affirmative does not control the manager's daily business and compliance operations, First Affirmative may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

## **|| Risks for all Forms of Analysis and Due Diligence**

First Affirmative's securities analysis methods rely on the assumption that the companies whose securities First Affirmative purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While First Affirmative is alert to indications that data may be incorrect, there is always a risk that analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

First Affirmative uses the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

## **|| Long-Term Purchases**

First Affirmative purchases securities with the intention of holding them in the client's account for a year or longer. Typically this strategy is employed when:

- First Affirmative believes the securities to be currently undervalued, and/or
- First Affirmative wants exposure to a particular asset class over time, regardless of the current projection for this class.

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

## **|| Short-Term Purchases**

When utilizing this strategy, First Affirmative purchases securities with the idea of selling them within a relatively short time (typically a year or less). First Affirmative does this in an attempt to take advantage of conditions that it believes will soon result in a price swing in the securities purchased.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; First Affirmative is then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and could result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

## **|| Illiquid Securities**

First Affirmative may, from time to time, assist clients with analyzing investments in securities in the areas of unlisted and/or unregistered debt or equity (commonly referred to as "private placements"), which may have no current or anticipated liquidity. First Affirmative will provide investment advice only on such securities that have passed through and been approved by its due diligence and investment approval processes. When analyzing investments in securities of this type First Affirmative will use the following analysis: fundamental, qualitative, quantitative and risk.

## **Risk of Loss**

Investing involves risk, including loss of principal. Each client of First Affirmative must be prepared to bear the risk of loss with respect to each account established.

## **DISCIPLINARY INFORMATION (Item 9)**

First Affirmative is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. First Affirmative and its management personnel have no reportable disciplinary events to disclose.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (Item 10)**

### **Corporate Affiliates of First Affirmative**

#### **|| Folio Parent**

First Affirmative is a wholly-owned subsidiary of Folio Parent and under common control with Folio Investments, Inc. (also referred to herein as Folio Institutional), Folio Research, LLC (Folio Research) and SRI Conference & Community, LLC (SRI Conference Entity). Folio Institutional, Folio Research and SRI Conference Entity are also wholly-owned subsidiaries of Folio Parent.

Folio Parent provides investment technology to its affiliates and unaffiliated third parties and other services to the financial services industry. Accordingly, Folio Parent and its employees may provide the same or similar products or services to third parties that provide advisory services that are the same or similar to those provided by First Affirmative. Folio Parent also provides support services to all of its subsidiaries, including shared employees and legal, human resource, and technology support. To address any conflicts that may arise as a result of its relationship with Folio Parent and its affiliates, no management or advisory personnel (including, but not limited to IARs and members of the Investment Committee) of First Affirmative are management or (including, but not limited to IARS and members of the Investment Committee) of any other affiliate, including Folio Parent, and First Affirmative has in place a strict "need to know" policy, which limits the sharing of proprietary and confidential information to only persons who have a need for the information for the purpose of supporting First Affirmative's business activities or providing services to First Affirmative's clients, consistent with First Affirmative's fiduciary obligations.

#### **|| Folio Institutional**

As noted above in Item 4, Folio Institutional is the custodian of some First Affirmative client assets and participates in a wrap fee program sponsored by First Affirmative. For additional information about Folio Institutional and the wrap fee program sponsored by First Affirmative, please see the Wrap Fee Brochure.

Folio Institutional engages in limited trading for its own account for, among other things, the purpose of testing the performance of various securities portfolios, demonstrating its technology platform to potential clients and business partners, and facilitating non-First Affirmative customer trading in fractional and odd lot shares of securities. For the avoidance of doubt, Folio Institutional ensures that it acts solely as agent when executing securities transactions for clients of First Affirmative by refraining from executing against any First Affirmative securities order. Folio Institutional may have a de minimis proprietary position in the same or similar securities that First Affirmative recommends to clients — generally less than 100 shares of any particular security in its fractional facilitation account and generally less than \$5,000 across all similar securities in any account used for performance evaluation, demonstration of the Folio Institutional platform or testing.

When Folio Institutional routes orders for execution, Folio Institutional may receive payment for order flow, a standard industry practice where brokerage firms receive a small per-share rebate when an order is executed or a share of the market makers' or market centers' revenue for processing customer orders. In addition, Folio Institutional may also receive compensation that is not directly related to specific per-share amounts from market centers but is based instead on the overall quantity and/or type of order flow presented to the market center. Such payment arrangements are equally applicable to orders received by Folio Institutional from First Affirmative and its other unaffiliated RIA clients. Folio Institutional does not share such compensation with First Affirmative. Both Folio Institutional and First Affirmative monitor execution quality to ensure that all orders are executed at prices equal to or better than the displayed applicable national best bid/offer price.

Folio Institutional provides the same or similar products, services and support, such as custody and execution, to unaffiliated advisors using its services that are provided to First Affirmative. No fees are paid to Folio Institutional by First Affirmative or its clients relating to securities transactions or custody of client assets. Folio Institutional receives no fees from mutual fund companies (for example, 12b-1 fees) whose mutual fund products are held in any First Affirmative client retirement account custodied by Folio Institutional. The cost for all Folio Institutional products and services provided as part of the First Affirmative wrap fee program (described in greater detail in the Wrap Fee Brochures), are included in the wrap fee except the cost for incidental services requested by the client, such as a wire transfer fee (as noted in Item 5). To mitigate and address any conflicts that may arise as a result of Folio Institutional's role as the custodian of assets for First Affirmative clients, Folio Institutional has in place a strict "need to know" policy which limits the sharing of First Affirmative's proprietary and confidential information to only persons who have a need for the information for the purpose of supporting First Affirmative's business activities or providing services to First Affirmative's clients.

First Affirmative may select BDs, including its affiliate, to provide brokerage services to client accounts. Conflicts may arise in the course of First Affirmative's selection of affiliated versus unaffiliated BDs. First Affirmative recommends BDs and places orders for the execution of transactions for its clients according to its best execution policies and procedures and consistent with the client's investment objectives.

In selecting a BD as a custodian, including its affiliates, First Affirmative may take into account a range of factors it deems relevant, including, but not limited to cost of services; timing and speed of execution; responsiveness; creditworthiness and financial stability; likelihood of, and capabilities in, execution, clearance and settlement; liquidity in or with an execution venue; and other appropriate factors. After this analysis has been performed, a recommendation is made as to the custodian for the client account. The client has sole discretion as to any First Affirmative approved custodian for a Managed Mutual Fund Account, regardless of First Affirmative's recommendation.

First Affirmative receives more compensation for Managed Mutual Fund Accounts at Folio Institutional than it does for the same type of accounts held at other custodians. Therefore, a conflict of inter-

est exists with respect to First Affirmative's recommendation of one custodian over the other when recommending a Managed Mutual Fund Account. To mitigate this conflict, First Affirmative performs a detailed analysis when a Managed Mutual Fund Account is recommended to a client that focuses on the totality of services provided by each custodian and how those services relate to the specific client profile. This analysis looks at the size and type of account, the costs associated with trading in mutual funds at each custodian and the underlying mutual fund costs by share class. After this analysis has been performed, a recommendation is made as to the custodian for the client account. The client has sole discretion as to any First Affirmative approved custodian for a Managed Mutual Fund Account, regardless of First Affirmative's recommendation.

## **|| The SRI Conference / SRI Conference and Community LLC**

First Affirmative has produced and hosted The SRI Conference on Sustainable, Responsible, Impact Investing (formerly known as SRI in the Rockies) (The SRI Conference) since 1990. The SRI Conference is now being produced and hosted by The SRI Conference and Community LLC (SRI Conference Entity), a separate entity under common ownership. Participants and sponsors for The SRI Conference and regional conferences are, in many cases, persons or entities with which First Affirmative engages or uses in investment management or financial planning processes and some of the mutual funds and Third Party Model Managers used by First Affirmative for client portfolios also sponsor the conference. To mitigate and address any potential conflicts that may arise as a result of First Affirmative and the SRI Conference Entity being under common ownership and management:

- No person who is a voting member of the First Affirmative Investment Committee, or who makes investment recommendations or places trades in client accounts will solicit sponsorship for The SRI Conference; and
- When providers of investment products and services are conference sponsors or participants, First Affirmative Investment Committee members may learn about a product or service its investment managers or strategy, but conference sponsorship is not a consideration for First Affirmative in designing client portfolios.
- No representations are made to sponsors indicating that their sponsorship will affect, positively or negatively, amounts that First Affirmative may cause to be invested in their mutual funds or investment models.

## **|| Folio Research**

Folio Research provides advisory services to other RIA firms and BD. As of December 31, 2016, Folio Research has no clients and is not actively engaged in an advisory business.

## **Outside Business Activities of Management Personnel and IARs**

First Affirmative has one IAR, Scott Buttfeld, who operates a separate, unaffiliated RIA, registered in New Jersey that solely provides financial planning services. First Affirmative also provides financial planning services. Accordingly, a conflict of interest may exist with respect to the IAR's outside business activities and the operations of First Affirmative, because the IAR could receive fees for financial planning services through both the unaffiliated RIA and through First Affirmative. In addition, it could provide incentive to the IAR to recommend financial planning services through one firm or the other, based on compensation received, rather than on the client's needs. First Affirmative mitigates this conflict by ensuring that the fees charged for financial planning at both firms are comparable so there is minimal financial incentive to use one firm over the other. In addition, First Affirmative has compliance and supervisory procedures in place to ensure that financial planning fees are not charged by both firms. Neither First Affirmative nor the unaffiliated RIA receives referral compensation from the other firm for recommending that financial planning services be obtained from the other firm. Further, neither First Affirmative nor the unaffiliated RIA has access to records of clients of the other unless the client is a joint client of both firms. The client is not obligated to implement the advice or utilize the services provided by First Affirmative or the unaffiliated RIA.

Several First Affirmative IARs are licensed as insurance agents or as tax preparers. First Affirmative does not supervise these outside business activities, nor does it share in any of the revenues from these activities.

## **Selling Agreement, Solicitors Agreement, and Custodial Relationships with First Affirmative**

There are no referral arrangements between our firm and any RIA firm wherein an individual is a member, officer or employee of our firm and is also a member, officer or employee of another firm. This includes any other RIA disclosed as required in Section 7.A. on Schedule D of Form ADV, Part I. (Part I of our Form ADV is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) where you can search by using CRD number 109036). No First Affirmative client is obligated to use the advisory services of any other RIA, as no other RIA advisory client is obligated to use First Affirmative's advisory services.

## **Managing Other Potential Conflicts**

### **|| Insider Trading**

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security or securities which may also be recommended to a client. First Affirmative has established written policies and procedures for insider trading that prohibit any member, officer or employee of our firm, from buying, selling or recommending securities where the decision is substantially derived, in whole or in part, from non-public information, information about other First Affirmative Clients or made based on the potential personal gain of the member, officer or employee.

### **|| Compensation Conflicts**

**Fees Paid to Network Advisors by First Affirmative relating to Discretionary Investment Management.** A portion of the fees for investment management services are shared with Network Advisors to compensate them for their services.

If the Network Advisor is an IAR, First Affirmative compensates the IAR directly, with the exception of any compensation he or she may earn on the provision of tax preparation services and life insurance sales.

If the Network Advisor is associated with a third party BD or a third party RIA firm with a selling or solicitor's agreement with First Affirmative, First Affirmative collects the applicable fee from the client assets and the Network Advisor share of the fee is paid to the BD or RIA firm, which in turn pays a substantial portion of the fee to the Network Advisor. The BD or RIA firm typically retains a small portion of the Network Advisor share to compensate itself for administration and other overhead.

**Other Compensation Paid to IARs.** In addition to receiving a portion of the fee for discretionary investment management, IARs receive a portion of any fees charged for financial planning, hourly consultation, or other services provided under nondiscretionary investment management agreements.

Two IARs are members of First Affirmative senior management and the Investment Committee. In their roles, they each provide investment advisory services to individual clients, while also working on developing Proprietary Models. Proprietary Models developed by these two IARs are subject to the same selection and review process as other Third Party Models and other Proprietary Models. Further, they do not receive compensation relating to their development of Proprietary Models.

**Other Compensation Earned by Third Party BD and RIA Network Advisors.** Third party firms may compensate their advi-

sors for providing other products or services to clients, Neither First Affirmative nor any Network Advisor receives any transactions-related or variable compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds relating to any product or service offered by or on behalf of First Affirmative.

First Affirmative takes the following steps to address compensation conflicts:

- Discloses the potential for the firm and its employees to earn compensation from advisory clients in addition to the firm's advisory fees;
- Discloses to clients that they are not obligated to purchase recommended investment products from its employees or affiliated companies;
- Collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- The firm's management conducts regular reviews of client accounts to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- Requires that employees seek prior approval of any outside employment activity so that First Affirmative may ensure that any conflicts of interests in such activities are properly addressed;
- Periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed;
- Educates employees regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for investment advice provided to clients; and
- Requires all IARs to acquire and maintain the Accredited Investment Fiduciary (AIF), or comparable professional designation to provide initial and ongoing training in the duties of investment fiduciaries.

Clients should be aware that conflicts of interest surrounding compensation, may impair the objectivity of First Affirmative and its members, officers, or employees when making advisory recommendations or when providing non-discretionary investment management services. There also is the possibility of conflicts of interest between clients and any Network Advisor, if the service is provided for variable compensation. First Affirmative offers fee-based compensation which tends to reduce or change the possibility of conflicts of interest, but cannot eliminate them entirely. While it is First Affirmative's intent to always offer advice that is in the best interest of the client, it is the client's responsibility to evaluate that advice and determine if it is appropriate before taking action. No client is obligated to accept any recommendation, and all clients are free to implement any recommendation with the broker, planner, or advisor of their choice.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, PERSONAL TRADING** *(Item 11)*

First Affirmative has adopted a code of ethics ("the Code") which sets forth high ethical standards of business conduct that required of employees and IARs, including compliance with applicable federal securities laws.

First Affirmative has adopted the Code for the purpose of instructing and guiding its personnel in their ethical and fiduciary obligations to clients. The Code also provides rules and requirements regarding the personal securities trading practices of First Affirmative's IARs and staff. First Affirmative, its personnel, and its IARs owe a duty of loyalty, fairness, and good faith toward all clients and are obligated to adhere not only to the specific provisions of the Code but to the general principles embodied in the Code. The Code is designed to ensure that the personal securities transactions, activities and interests of First Affirmative employees will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code covers a range of topics that include the following: general ethical principles, reporting of personal securities trading, exceptions to reporting securities transactions, reportable securities, initial public offerings, and amendments to Form ADV and supervisory procedures.

A copy of the Code is available to investment advisory clients and prospective clients. You may request a copy by email sent to our Chief Compliance Officer, Kathy Lewis at [kathy@firstaffirmative.com](mailto:kathy@firstaffirmative.com), or by calling 719.636.1045 x119.

## **BROKERAGE PRACTICES** *(Item 12)*

Factors Considered When Recommending a Broker-Dealer Custodian

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, First Affirmative may recommend the use of one of several brokers (including, but not limited to Schwab, Folio Institutional, FTJ/TD Ameritrade, or Kingdom Trust). Although First Affirmative requires that clients establish accounts at one of these brokerage firms, it is the client's decision whether or not to have accounts under management by First Affirmative and, thus, custodied by one of the recommended custodians. First Affirmative's recommendation of one of these brokerage firms is not contingent upon the firm committing to any specific amount of business (assets in custody or trading commissions).

First Affirmative's clients must evaluate these broker-dealers before opening an account. The factors First Affirmative considers when making these recommendations are the broker-dealer's ability to provide professional services, First Affirmative's own experience with the firm, the broker-dealer's reputation, their quality of execution services, and costs of such services, among other factors.

### **|| Brokerage for Client Referrals**

First Affirmative does not have referral arrangement with any of its custodian broker-dealers.

### **|| Directed Brokerage**

First Affirmative accepts investment management accounts only when a client authorizes discretionary trading authority to First Affirmative. Clients do not conduct brokerage transactions themselves, but rather only through communications with Network Advisors. Accordingly, clients do not have the ability to direct First Affirmative to execute transactions through a specified broker-dealer other than a broker-dealer custodian of the client's account(s).

## Aggregation of Client Securities Transactions

First Affirmative does not aggregate purchases and sales for various client accounts. However, orders may be aggregated by a third party separate account manager executing transactions at Kingdom Trust for accounts custodied at Kingdom Trust or by Folio Institutional as part of its patented window trade process.

## REVIEW OF ACCOUNTS *(Item 13)*

### Reports to Clients

Clients receive monthly account statements detailing deposits, withdrawals, purchases, sales, dividends, interest, fees deducted from the account and any other activity, from the custodian of the account. Clients may also receive trade confirmations of every trade executed in their account(s), which should be saved for tax purposes.

First Affirmative or its service providers also will make available quarterly performance reports to all clients. Depending on the custodian and/or the service provider, such performance reports may be made available for an annual fee, which is not included in the discretionary investment management fees described in Item 5 above.

Most clients have access to their accounts via the internet, but First Affirmative also provides quarterly reports either by mail or by electronic delivery. These reports may also include a performance comparison utilizing historical data and may propose an alternative optimal portfolio design. First Affirmative can also provide reports on the social and ethical issues associated with a portfolio of specific common stocks.

### Client Account Reviews

**Network Advisors.** Each Network Advisor has the ability to view all positions and activities in his/her client account(s) via the internet, and each Network Advisor receives copies of all reports provided to their client(s). Network Advisors are expected to review activity in client accounts on a quarterly basis, to periodically discuss the account with the client, and to ensure the suitability of the investment services provided based on each client's specific situation.

### Supervising Broker-Dealer or Registered Investment Advisor

**Firms.** Each third party BD and/or RIA with which First Affirmative maintains a selling or solicitor's agreement also is responsible for developing its own, independent procedures to review client accounts and supervise the activities of its representatives.

**Sub-Advisors.** Third Party Model Managers who are responsible for managing portions of First Affirmative client accounts are also responsible for ongoing review, supervision, and transactions in the client accounts they manage.

**Company Management.** First Affirmative's senior management, including members of the Investment Committee, conduct both periodic reviews and various systematic samplings of accounts to supervise and ensure compliance with investment policy.

## CLIENT REFERRALS AND OTHER COMPENSATION *(Item 14)*

### Other Compensation

It is First Affirmative's policy not to accept or allow its related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services it provides to our clients.

### Client Referrals

First Affirmative may pay referral fees to independent persons or firms ("Solicitors") for introducing clients. These fees are normally asset-based. When the solicitor is associated with a third party BD or RIA they are normally paid over the life of the relationship. If the solicitor is outside of these categories, a time frame of three years is normally negotiated. Whenever First Affirmative pays a referral fee, it requires the Solicitor to provide the prospective client with a copy of this document and a separate disclosure statement that includes the following information:

- The Solicitor's name and relationship with First Affirmative;
- The fact that the Solicitor is being paid a referral fee;
- The amount of the fee; and
- As a matter of firm policy, a client working with a Solicitor will not be charged more than any other client.

## CUSTODY *(Item 15)*

Client funds and securities are held by one of the broker-dealer custodians identified in Item 12 for safekeeping. Clients will receive account statements directly from their custodian and should carefully review those statements. In addition, First Affirmative sends account reports directly to our clients on a quarterly basis. First Affirmative urges clients to carefully compare the information provided on these reports to ensure that all account transactions, holdings and values are correct and current.

Additionally, First Affirmative is deemed to have "custody" of client assets as that term is defined under the Investment Advisers Act of 1940, as amended, that are held by Folio Institutional because both First Affirmative and Folio Institutional are under the common control and ownership of Folio Parent. All firms that are deemed to have custody because of their affiliation with the broker-dealer that maintains their clients' assets must undergo an annual surprise audit by a third party audit firm. As such, First Affirmative is annually audited by an independent third party.

## INVESTMENT DISCRETION *(Item 16)*

Clients may hire First Affirmative to provide discretionary investment management services, in which case First Affirmative places trades in a client's account without contacting the client prior to each trade to obtain the client's permission. First Affirmative's discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell
- Determine when to add or replace a Third Party Model Manager and/or Sub-Advisor

Clients give First Affirmative discretionary authority when they sign an Investment Advisory Services Agreement. First Affirmative's ability to manage client accounts is dependent upon having the above discretionary authority granted by the client. The client can place restrictions on certain securities but cannot limit First Affirmative's ability to act upon the instructions given to the firm in the Investment Policy Statement (IPS).

## **VOTING CLIENT SECURITIES** *(Item 17)*

### **Proxy Voting**

Owners of company stock and mutual fund shares have a right to be heard on matters put before shareholders for a vote. Shareholder voting is the primary means by which shareholders can influence a company or mutual fund's operations, its corporate governance, and other activities that may fall outside of financial considerations.

First Affirmative has an arrangement with an independent governance analysis and proxy voting firm to provide research to First Affirmative and to vote proxies based on First Affirmative's Proxy Voting Guidelines, for clients, if the client has assigned that duty to First Affirmative on their account application. The independent third-party firm will vote all holdings in which First Affirmative clients have a material interest, defined as more than 250 shares held collectively by all clients of record at Folio Institutional, and all shares held at Schwab. First Affirmative does not vote proxies at any other custodians.

Voting of client proxies is based upon general financial and social responsibility concerns, as reflected in First Affirmative's Proxy Voting Guidelines which are updated at least annually and are available for review on the First Affirmative website. The independent third-party proxy voting service discloses to First Affirmative, at least annually, potential conflicts of interest between their research/proxy voting services and their corporate governance consulting services and their procedures for limiting such conflicts.

Clients should be aware that they are under no obligation to assign proxy voting duties to First Affirmative. Clients may choose from proxy voting options that are offered by their custodian. For accounts held at Folio Institutional, a client has the right at any time, even if proxy voting has been delegated to First Affirmative, to vote any individual proxy themselves and override any vote that may be cast. This is not possible at Schwab, the client must withdraw the authorization for First Affirmative to vote proxies in order to avoid voting in accordance with the First Affirmative guidelines.

Clients may obtain a copy of First Affirmative's complete Proxy Voting Guidelines by visiting the First Affirmative website ([www.firstaffirmative.com](http://www.firstaffirmative.com)) sending an email to [proxyvoting@firstaffirmative.com](mailto:proxyvoting@firstaffirmative.com), or by sending a request in writing to the address listed on the cover page of this document. Clients may request information on how proxies for his/her shares were voted and First Affirmative will promptly provide such information to the client.

With respect to ERISA accounts, First Affirmative will vote proxies if granted that authority unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct First Affirmative to vote a proxy in a particular manner, clients should send an email to [proxyvoting@firstaffirmative.com](mailto:proxyvoting@firstaffirmative.com).

First Affirmative does not vote proxies for the following types of accounts:

- Accounts held in custody by Schwab that have not granted First Affirmative authority to vote proxies;
- ERISA accounts that specifically require the plan sponsor to vote the proxies;
- Accounts that participate in the FTJ Wrap Fee Program; and
- Accounts in which there are less than 250 shares held collectively by all clients of record at Folio Institutional.

In situations where First Affirmative does not vote proxies, proxy documents are delivered via U.S. Mail for Schwab accounts, and are accessible by logging into the Folio Institutional website for advised clients, [www.folioclient.com](http://www.folioclient.com). Clients may choose from proxy voting options that are offered by TD Ameritrade.

First Affirmative and its IARs may provide clients for whom First Affirmative does not vote proxies with consulting assistance regarding proxy issues if they contact First Affirmative with questions.

Clients can instruct First Affirmative to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. Clients can also instruct First Affirmative on how to cast their vote in a particular proxy contest by sending an email to [proxyvoting@firstaffirmative.com](mailto:proxyvoting@firstaffirmative.com).

There is a remote possibility that First Affirmative employees or representatives in the Proxy Voting process may have a relationship with a public corporation which may put their interests at odds with those of clients. These personnel are required to disclose to the Chief Compliance Officer any such relationships and are required to recuse themselves from participated in votes related to such companies.

## **FINANCIAL INFORMATION** *(Item 18)*

Under no circumstances does First Affirmative require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, First Affirmative is not required to include a financial statement in this disclosure document.

As an advisory firm that maintains discretionary authority for client accounts and maintains custody of client assets held by Folio Institutional, First Affirmative is also required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations. First Affirmative has no additional financial circumstances to report.

First Affirmative's financial statements are audited each calendar year by a qualified, independent CPA firm.

First Affirmative has never been the subject of a bankruptcy petition.