

Firm Brochure

(Part 2A of Form ADV)

FIRST NATIONAL CORPORATION

300 Ledgewood Place, Suite 101

Rockland, MA 02370

781-878-7757

Fax 781-878-9894

www.fncadvisor.com

This brochure provides information about the qualifications and business practices of First National Corporation. If you have any questions about the contents of this brochure, please contact us at: 781-878-7757, or by email at: jason@fncadvisor.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about First National Corporation is available on the SEC's website at www.adviserinfo.sec.gov

March 31, 2011

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

If you were previously a client of First National Corporation, this brochure dated March 31, 2011 is a new document prepared according to new regulations and rules. As such, this document is materially different in structure and requires certain new information that First National Corporation’s previous brochure did not require. In the future, this item will discuss only specific material changes that we make to our brochure and provide you with a summary of such changes. We will also reference the date of our last annual update of our brochure.

This is First National Corporation’s first brochure in the new format and therefore we have not made any material changes. We review and update our brochure at least annually to make sure that it remains current.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 781-878-7757 or by email at: jason@fncadvisor.com.

Table of Contents

Material Changes.....	i
Annual Update	i
Material Changes since the Last Update	i
Full Brochure Available	i
Advisory Business	1
Firm Description.....	1
Principal Owners.....	1
Types of Advisory Services.....	1
Tailored Relationships	2
Types of Agreements.....	3
Investment Management Agreement	3
Financial Planning Agreement	3
401(k) Servicing Agreement	4
Hourly Planning Engagements	4
Investment Management	4
Termination of Agreement	5
Fees and Compensation	5
Description	5
Fee Billing	5
Other Fees.....	6
Expense Ratios.....	6
Past Due Accounts and Termination of Agreement	6
Performance-Based Fees	7
Sharing of Capital Gains	7
Types of Clients.....	7
Description	7
Account Minimums.....	7
Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Methods of Analysis.....	7
Investment Strategies	8
Risk of Loss	8

Disciplinary Information	9
Legal and Disciplinary.....	9
Other Financial Industry Activities and Affiliations	9
Financial Industry Activities.....	9
Affiliations	10
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Code of Ethics	10
Participation or Interest in Client Transactions.....	10
Personal Trading.....	11
Brokerage Practices.....	11
Selecting Brokerage Firms.....	11
Best Execution	11
Soft Dollars	11
Order Aggregation	12
Review of Accounts	12
Periodic Reviews	12
Review Triggers	13
Regular Reports.....	13
Client Referrals and Other Compensation	13
Incoming Referrals.....	13
Referrals Out	13
Other Compensation.....	13
Custody.....	14
Account Statements.....	14
Performance Reports.....	15
Investment Discretion.....	15
Discretionary Authority for Trading.....	15
Voting Client Securities	15
Proxy Votes	15
Class Actions	15

Financial Information	15
Financial Condition	15
Business Continuity Plan	16
General	16
Disasters	16
Information Security Program.....	16
Information Security	16
Privacy Notice	16
Brochure Supplement (Part 2B of Form ADV)	18
Education and Business Standards	18
Professional Certifications	18
MICHAEL HEBERT	20
JASON SKOLNICK.....	20
KENNETH SEROPIAN, QPFC	21
SHERMAN RUSS	22
PHILIP G. NEHRO, CFP®.....	23

Advisory Business

Firm Description

First National Corporation, ("First National" or the "Firm") was founded in 1978.

First National provides personalized investment management, confidential financial planning, and consulting to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

First National does not act as a custodian of client assets. The client always maintains asset control. First National places trades for clients under a limited power of attorney through investment discretion.

Investment advice is an integral part of financial planning. In addition, First National advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

A written evaluation of each client's initial situation may be provided to the client, often in the form of an investment policy statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Certain of First National's Investment Advisory Representatives may sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products if such products are appropriate for their clients. First National may directly or indirectly compensate other professionals for client referrals as disclosed further in this brochure.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

Principal Owners

Michael S. Hebert is a 50% stockholder. Jason T. Skolnick is a 50% stockholder.

Types of Advisory Services

First National provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations; issues periodicals about securities by subscription; issues

special reports about securities; and issues, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, First National furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

The Firm's services include, but are not limited to, the following:

For individuals:

- Investment Management
- Financial Planning
- Retirement Planning
- Estate Planning
- College Planning
- Insurance (Life, Disability, Long-Term Care)
- Variable Annuities

For Businesses:

- Estate Planning for Business Owners
- Company Sponsored Plans
- Retirement Plans
- Group Benefits
- Executive Benefits Planning

As of December 31, 2010, First National manages approximately \$247,441,257 in assets for approximately 350 clients in 1,081 client accounts. Approximately \$245,481,254 is managed on a discretionary basis, and \$1,960,003 is managed on a non-discretionary basis.

Tailored Relationships

The Firm's financial services are customized to meet the unique needs of each client. The goals and objectives for each client are documented in our client relationship management system. Investment policy statements may be created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities (for example, stocks) or types of securities (for example, stocks of foreign issuers). Clients are advised to promptly notify First National if there are ever any changes in their financial situation or if they wish to impose any reasonable restrictions upon the Firm's management services.

Agreements may not be assigned without client consent. Transactions which do not result in an actual change in control or management are not considered an assignment.

Types of Agreements

The following agreements define the typical client relationships.

Investment Management Agreement

Most clients choose to have First National manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship.

The annual Investment Management Agreement fee ranges from 0.425% to 1.25% depending upon the market value of the assets under management and the type of investment management services to be rendered. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Investment Management Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the Firm may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The financial planning and consulting fees are negotiable and generally range between \$1,000 and \$8,000. Since financial planning is

a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. If the client wishes to continue to engage the Firm to modify or update a financial plan, the fee will be \$250 per hour.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

If the client engages First National for additional investment advisory services, the Firm may offset all or a portion of its fees for those services based upon the amount paid for the financial planning services.

401(k) Servicing Agreement

The 401(k) services are designed to provide independent consulting services to 401(k) and pension plans. We do not sell or have any 401(k) or pension plan proprietary products.

The Firm's retirement and pension plan advisory services assist plan sponsors with the fiduciary oversight of their retirement plan. By acting as fiduciary within the meaning of 3(21) or 3(38) of ERISA, the Firm can either share, or assume full responsibility with respect to the selection of investments, ongoing monitoring and reporting. The Firm's documented processes are designed to help plan sponsors meet their required fiduciary obligations. The 401(k) advisory services include: develop investment policy statement; investment and allocation selection; ongoing fund monitoring, QDIA selection assistance, electronic fiduciary vault, vendor search and analysis, plan fee benchmarking, and participant education.

The fee range for 401(k) consulting services is \$3,000 to \$25,000 per annum and is billed quarterly and is negotiable. Fees may also be charged on a fixed fee basis. The exact fees charged for these services will be specified in a client agreement executed before service begins.

Hourly Planning Engagements

First National provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$250.

Investment Management

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. First National does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, Independent Managers (as described below), ETFs, private placements and interests in partnerships.

Initial public offerings (IPOs) are available through First National on a limited basis.

Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying First National in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, First National will refund any unearned portion of the advance payment. If termination occurs within five (5) business days of entering into an agreement for services, the client is entitled to a full refund.

First National may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, First National will refund any unearned portion of the advance payment.

Fees and Compensation

Description

First National bases its fees on a percentage of assets under management, hourly charges and fixed fees. Lower fees for comparable services may be available from other sources.

Some agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are negotiable and may be waived in the sole discretion of First National. First National may manage our employees and/or family accounts for a reduced fee or free of charge.

Fee Billing

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. Payment in full is expected upon invoice presentation. Fees are usually deducted from a

designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security.

In addition, any mutual fund shares held in your account may be subject to deferred sales charges, 12b-1 fees, short-term redemption fees, and other mutual fund annual expenses. The fees and expenses are fully described in the fund's prospectus. All fees paid to First National for our services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers and such fees are therefore indirectly charged to all holders of the mutual fund shares. If you have mutual funds in your portfolio, you are effectively paying both First National and the mutual manager for the management of their assets.

First National, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Fees may be incurred when a client transfers securities into an account at First National. Clients are advised that if securities are liquidated as part of the transfer and re-allocation process, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and / or tax ramifications.

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to First National.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

First National reserves the right to stop work on any account that is more than 30 days overdue. In addition, First National reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when

necessary and appropriate, in First National's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

Performance-Based Fees

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

First National does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Types of Clients

Description

First National generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

Account Minimums

First National does not impose a minimum portfolio size or minimum annual fee. Certain separate account managers ("Independent Managers") may, however, impose more restrictive account requirements and varying billing practices than the Firm. In such instances, the Firm may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that First National may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Schwab Institutional Services' research services, and the World Wide Web.

Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use passively-managed index and exchange-traded funds as the core investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client may document their objectives and their desired investment strategy through the Investment Policy Statement or a similar document.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of

return (i.e. interest rate). This primarily relates to fixed income securities.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

First National is required to disclose whether there are legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management. The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

First National does not engage in any additional financial industry activities.

Certain of First National's Investment Advisory Representatives, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend the purchase of certain insurance products. A conflict of interest exists to the extent that First National recommends the purchase of insurance products where its Investment Advisory Representative receives insurance commissions or other additional compensation.

Affiliations

Certain of the Firm's Investment Advisor Representatives are also registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. Clients may engage the Investment Advisory Representatives to effect securities transactions through PKS. Brokerage commissions may be charged by PKS to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to the Investment Advisory Representative. The Investment Advisory Representative may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers.

A conflict of interest exists to the extent that First National recommends the purchase of securities where the Investment Advisor Representative receives commissions or other additional compensation as a result of the Firm's recommendations.

For accounts covered by ERISA (and such others that the Firm, in its sole discretion deems appropriate), First National may modify the foregoing commission arrangement to allow for its investment advisor services to be rendered on a fee-offset basis. In this scenario, the Registrant may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Investment Advisor Representative in their individual capacities as registered representatives of PKS.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The employees of First National have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

First National and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the First National *Compliance Manual*.

Personal Trading

The Chief Compliance Officer of First National is Jason Skolnick. He reviews all employee trades each quarter. His trades are reviewed by Michael Hebert. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

First National does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. First National recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

First National generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("Schwab") for investment management accounts. Schwab enables First National to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other broker-dealers. In addition, Schwab has agreed to reimburse certain fees associated with a client's transfer of assets to Schwab.

Best Execution

First National reviews the execution of trades at each custodian on a periodic basis. The requirements for this review are documented in the First National *Compliance Manual*. Trading fees charged by the custodians are also reviewed on a quarterly basis. First National does not receive any portion of the trading fees.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while First National will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Soft Dollars

First National receives a software maintenance credit of about \$2,000 per year from Charles Schwab & Company because some client assets are custodied at Schwab. This credit offsets annual maintenance fees for our

portfolio management software. All clients benefit from this credit as it reduces the firm's overall expenses.

The selection of Charles Schwab & Company as a custodian for clients is not affected by this nominal credit.

First National may receive from Schwab, without cost to the Firm, computer software and related systems support, which allow the Firm to better monitor client accounts maintained at Schwab. First National may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit the Firm, but not its clients directly.

Additionally, First National may receive the following benefits from Schwab through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; website development services and/or costs; and access to an electronic communication network for client order entry and account information.

Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Transactions for each client generally will be effected independently, unless First National decides to purchase or sell the same securities for several clients at approximately the same time. First National may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Firm's clients pro rata to the purchase and sale orders placed for each client on any given day. First National will not receive any additional compensation as a result of the aggregation of orders.

Review of Accounts

Periodic Reviews

For those clients to whom First National provides investment management services, the Firm monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom First National provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such

reviews are conducted by one of the Firm's Investment Adviser Representatives. All investment advisor clients are encouraged to discuss their needs, goals, and objectives with the Firm and to keep the Firm informed of any changes thereto. First National shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

Regular Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom First National provides investment advisory services will also receive a report from the Firm that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Those clients to whom First National provides financial planning and/or consulting services will receive reports from the Firm summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Firm.

Client Referrals and Other Compensation

Incoming Referrals

If a client is introduced to First National by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee. Any such referral fee shall be paid solely from the Firm's investment management fee, and shall not result in any additional charge to the client.

Referrals Out

First National does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

Schwab provides the Firm with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors, including the Firm, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not directly benefit its clients' accounts. Many of these other products and services may be used to assist the Firm in managing and administering all or some substantial number of clients' accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist the Firm in managing or administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirms and account statements), (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of the Firm's fees from its clients' accounts, and (v) assist with back-office functions, record keeping and client reporting.

Schwab also offers other services intended to help the Firm manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefit providers, human capital consultants and insurance providers. Schwab may make available, arrange and / or pay third-party vendors for the types of services rendered to the Firm. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. Schwab may also provide other benefits such as educational events or occasional business entertainment of Firm personnel.

In evaluating whether to recommend that clients custody their assets at Schwab, the Firm may take into account the availability of some of the foregoing products and services as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab. Clients should be aware that the receipt of economic benefits by the Firm in and of itself creates a potential conflict of interest and may indirectly influence the Firm's recommendation of Schwab for custody and brokerage services.

Custody

Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by First National.

Investment Discretion

Discretionary Authority for Trading

First National accepts discretionary authority to manage securities accounts on behalf of clients. First National has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, First National consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. First National does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

Voting Client Securities

Proxy Votes

First National does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, First National will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

Class Actions

First National does not advise or act for Clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of these securities

Financial Information

Financial Condition

First National does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because First National does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

First National has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Information Security Program

Information Security

First National maintains an information security program to reduce the risk that your personal and confidential information may be breached. In addition to meeting federal standards, this policy also complies with Massachusetts General Law Chapter 93H, the Security Breaches Act which was adopted by the Massachusetts legislature to protect the personal information of residents in the Commonwealth of Massachusetts.

Privacy Notice

First National is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these

nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

First National requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, QPFC, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Massachusetts law (Section 203A) requires advisers to disclose information on disciplinary history and the registration of the adviser and its associated persons. This information may be obtained via the U.S. Securities and Exchange Commission public disclosure website at www.sec.gov/checkoutbrokersandadvisers, by phone at (202) 942-8090 or the Massachusetts Securities Division, One Ashburton Place, 17th Floor, Boston, Massachusetts 02108.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk

management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Qualified Plan Financial Consultant (QPFC): QPFC is the professional credential for financial professionals who sell, advise, market or support qualified retirement plans. The QPFC program provides an understanding of general retirement planning concepts, terminology, distinctive features of qualified plans and the role of retirement plan professionals. QPFC is not an entry-level credential. A candidate will be expected to demonstrate a general proficiency of plan administration, compliance, investment, fiduciary, and ethics issues.

MICHAEL HEBERT

Born 1969

Educational Background:

- Bentley College – 1997, MS, Finance
- Bryant College – 1991, BS, Accounting

Business Experience:

- First National Corporation, President, 10/2010 to Present
- First National Corporation, Investment Adviser Representative, 9/1997 to Present
- Purshe Kaplan Sterling Investments, Registered Representative, 4/2006 to Present
- Linsco Private Ledger, Registered Representative / Investment Adviser Representative, 9/1997 to 4/2006

Other Business Activities:

Board of Directors, Sail Nantasket Inc., a 501(c)(3) non-profit organization in Hull, Massachusetts.

Additional Compensation: None

Supervision:

Mr. Hebert is supervised by Jason Skolnick, the Chief Compliance Officer. He reviews Mr. Hebert's work through frequent office interactions as well as remote interactions. He also reviews Mr. Hebert's activities through our client relationship management system.

Mr. Skolnick's contact information:

781-878-7757

Jason@fncadvisor.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

JASON SKOLNICK

Born 1973

Educational Background:

- Brown University – 1995, BA, Economics

Business Experience:

- First National Corporation, Treasurer, 10/2010 to Present
- First National Corporation, Chief Compliance Officer, 4/2006 to Present

- First National Corporation, Investment Adviser Representative, 1/1998 to Present
- Purshe Kaplan Sterling Investments, Registered Representative, 4/2006 to Present
- Linsco Private Ledger, Registered Representative / Investment Adviser Representative, 1/1998 to 4/2006

Other Business Activities:

Mr. Skolnick serves as President of Kehillath Israel of Brookline. He is the founder of I Life With Purpose LLC.

Additional Compensation: None

Supervision:

Mr. Skolnick is supervised by Michael Hebert, the Firm's President. He reviews Mr. Skolnick's work through frequent office interactions as well as remote interactions. He also reviews Mr. Skolnick's activities through our client relationship management system.

Mr. Hebert's contact information:

781-878-7757

Mike@fncadvisor.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

KENNETH SEROPIAN, QPFC

Born 1974

Educational Background:

- University of Massachusetts at Amherst – 1996, BA

Business Experience:

- First National Corporation, Investment Adviser Representative, 11/2010 to Present
- Purshe Kaplan Sterling Investments, Registered Representative, 1/2011 to Present
- USI Consulting Group, Vice President of Retirement Planning Services, 11/2009 to 11/10/2010
- USI Advisors, Inc., Investment Advisor Representative, 11/ 2009 to 10/2010
- USI Securities, Inc., Registered Representative, 11/2009 to 2010
- Sentinel Securities, Inc., Registered Representative, 06/2003 to 10/2009

- Sentinel Benefits Group, Inc., Sales Representative, 10/2003 to 10/2009

Additional Compensation: None

Supervision:

Mr. Seropian is supervised by Jason Skolnick, the Chief Compliance Officer. He reviews Mr. Seropian's work through frequent office interactions as well as remote interactions. He also reviews Mr. Seropian's activities through our client relationship management system.

Mr. Skolnick's contact information:

781-878-7757

Jason@fncadvisor.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

SHERMAN RUSS

Born 1937

Educational Background:

- Columbia University – 1962, MBA
- Middlebury College – 1960, BA, Economics

Business Experience:

- First National Corporation, Investment Adviser Representative, 2/2006 to Present
- Linsco Private Ledger, Registered Representative / Investment Adviser Representative, 2001 to 4/2006

Additional Compensation: None

Supervision:

Mr. Russ is supervised by Jason Skolnick, the Chief Compliance Officer. He reviews Mr. Russ' work through frequent office interactions as well as remote interactions. He also reviews Mr. Russ' activities through our client relationship management system.

Mr. Skolnick's contact information:

781-878-7757

Jason@fncadvisor.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

PHILIP G. NEHRO, CFP®

Born 1939

Educational Background:

- University of Wisconsin Graduate School of Banking – 1973
- University of Detroit – 1974, MBA, Finance
- University of Detroit – 1966, BS, Psychology

Business Experience:

- First National Corporation, Investment Adviser Representative, 4/2008 to Present
- Bentley Securities Corporation, Managing Director, 8/2007 to 4/2008
- Principal Financial Group, Financial Advisor, 10/2005 to 8/2007
- Smith Barney, Financial Consultant, 6/2004 to 10/2005

Other Business Activities:

Mr., Nehro is a member of the Board of the West Falmouth, Massachusetts Library, a non-profit independent library, where he also serves as the chair of the Development Committee.

Additional Compensation: None

Supervision:

Mr. Nehro is supervised by Jason Skolnick, the Chief Compliance Officer. He reviews Mr. Nehro's work through frequent office interactions as well as remote interactions. He also reviews Mr. Nehro's activities through our client relationship management system.

Mr. Skolnick's contact information:

781-878-7757

Jason@fncadvisor.com

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None