



**Folio Wrap Fee Brochure**  
**ADV: APPENDIX 1A**

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Registered Investment Advisor  
(SEC File # 801-56587)

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## Folio Wrap Fee Brochure

### INTRODUCTION AND OVERVIEW (Item 1)

This Wrap Fee Brochure provides information about the qualifications and business practices of First Affirmative Financial Network, LLC (First Affirmative). Capitalized terms not defined in this Wrap Fee Brochure are defined in First Affirmative's Form ADV Part 2A (Disclosure Brochure).

First Affirmative, a wholly-owned subsidiary of FOLIOfn, 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 Wrap Fee Brochure is required to be delivered to any prospective client of the First Affirmative sponsored wrap fee program involving Folio Institutional®, a division of Folio Investments, Inc. (Folio Institutional) prior to entering into an investment advisory relationship with First Affirmative that includes participation in the wrap program with Folio Institutional (Folio Institutional Wrap Fee Program). First Affirmative also sponsors a wrap

fee program involving FTJ FundChoice, LLC (FTJ Wrap Fee Program). A separate Wrap Fee Brochure is available for clients whose investment advisory relationship with First Affirmative includes participation in the FTJ Wrap Fee Program. An electronic copy is available on a publicly accessible area on the First Affirmative website at [www.firstaffirmative.com](http://www.firstaffirmative.com).

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 Wrap Fee 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 Wrap Fee Brochure has not been approved or verified by the SEC or by any state securities authority.

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## MATERIAL CHANGES (Item 2)

Consistent with SEC rules, First Affirmative updates this Wrap Fee 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 Wrap Fee Brochure (and you received a prior version of this Wrap Fee Brochure), such changes will be set forth in the "Summary of Material Changes" accompanying this Wrap Fee Brochure.

## SERVICES, FEES, AND COMPENSATION (Item 4)

### Description of the Folio Institutional Wrap Fee Program

The Folio Institutional Wrap Fee Program applies to investment advisory services offered by First Affirmative, through its Network Advisors (as defined in the Disclosure Brochure), consistent with its Sustainable Investment Solutions advisory offering (as described in the Disclosure Brochure). First Affirmative serves as a Multi-Manager Account Manager and as a Managed Mutual Fund Account Manager with respect to client accounts held at Folio Institutional. As a Multi-Manager Account Manager, First Affirmative uses proprietary investment model portfolios constructed and managed by First Affirmative (Proprietary Models) as well as models selected by First Affirmative that are constructed and managed by third party unaffiliated investment advisors (Third Party Models). As a Managed Mutual Fund Account Manager with respect to accounts custodied at Folio Institutional, First Affirmative only recommends Proprietary Models to clients.

### Wrap Fee for the Folio Institutional Wrap Fee Program

The Folio Institutional Wrap Fee Program fee (Wrap Fee) includes all costs for investment management, trade execution, and custody and clearing, unless specifically noted as a separate charge below. Fees on assets included in the Wrap Fee Program are charged as a percentage of assets under management, annualized, in arrears, on a quarterly basis according to the schedule below, unless negotiated. Negotiated fees are provided to individual clients on a separate schedule. Account asset values is determined using the average daily balance in your account throughout the quarter

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%
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

Third Party Model Managers (also referred to as portfolio managers) utilized by First Affirmative when advising a Multi-Manager Account are paid a portion of the maximum fee shown above. Fees vary between managers and range from 25 bps (0.25%) to 40 bps (0.40%). Proprietary Models also are available to Network Advisors for purposes of providing discretionary investment advice to clients on the Folio Institutional platform. When a Proprietary Model is used by a Network Advisor, a client is not charged a separate basis point fee – the Wrap Fee includes the cost of all Proprietary 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. Exceptions may be available on a case-by-case basis.

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.

### Additional Folio Institutional Fees

#### || 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.

#### || Mutual Fund Transaction Commissions Charged to Clients

First Affirmative generally uses 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 use a mutual fund that typically has a front-end load, First Affirmative will do so only if the front-end load is waived. There is no transaction fee charged to clients for purchasing mutual fund shares at Folio Institutional.

#### || 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. Such 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.

## **|| 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.

## **Mutual Fund Expenses**

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.

## **Compensation to Network Advisors relating to Client Participation in the Folio Institutional Wrap Fee Program**

Network Advisors are compensated from the Wrap Fee. The amount of this compensation may be more or less than the compensation the Network Advisor may receive if not recommending the Folio Institutional Wrap Fee Program. This may create a conflict of interest in that the Network Advisor may have a financial incentive to recommend the Folio Institutional Wrap Fee Program over other programs and services.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS (Item 5)**

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.

The minimums for wrap fee accounts at Folio Institutional are:

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

Minimum account size is negotiable, 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.

The following types of clients may participate in the Folio Institutional Wrap Fee Program:

- Individuals (to include high net worth individuals)
- Pension and profit sharing plan trustees
- Pension and profit sharing plan participants

- Trusts, estates, and charitable organizations
- Nonprofit organizations and other non-governmental organizations
- Corporations or other businesses not listed above

## **PORTFOLIO MANAGER SELECTION AND EVALUATION (Item 6A)**

### **Selection of Models**

Network Advisors provide investment advisory services in the Folio Institutional Wrap Fee Program consistent with First Affirmative's Sustainable Investment Solutions advisory offering (as described in the Disclosure Brochure). They may use Proprietary Models as well as Third Party Models when advising clients in the Multi-Manager Account program or solely Proprietary Models when advising clients in the Managed Mutual Fund Account program. First Affirmative provides investment advice with the philosophies of sustainable, responsible impact (SRI) investing. All investment models are constructed by integrating particular values and/or environmental, social and governance (ESG) factors in order to reflect a client's values and preferences as well as aligning with the client's investment goals and risk profile as established in the Investment Policy Statement by the client and the Network Advisor.

In considering all of the models available on the Folio Institutional platform (Proprietary Models and Third Party Models), The Investment Committee begins by reviewing the models available on the platform through discussions with the Third Party Model Managers regarding their strategies and business model as well as reviewing written materials generally required as part of due diligence. The Investment Committee then reviews the risk and return ratios on each model on the Folio Institutional platform as well as the performance to determine which models are likely to continue to meet client needs. Generally, models with ongoing reported substandard performance are eliminated, but additional factors also may be considered when determining whether to keep or eliminate a model. For example, the Investment Committee also may consider issues raised during conversations with a model or mutual fund manager, information about the model or mutual fund manager that comes to light, management changes or change of investment philosophy. Ultimately, the decision to make a change is based on a number of factors, including a change in the client's circumstances, investment philosophy, risk tolerance or market concerns.

The Investment Committee reviews the performance of Third Party Model Managers and Proprietary Models through Advent/AXYS, portfolio management software. Performance is calculated using industry standards built into the portfolio management software. First Affirmative does not review, nor engage a third party to review performance information relating to models. Accordingly, the performance information with respect to any models used may not be calculated on a uniform and consistent basis.

### **Use of Proprietary Models**

As noted above, First Affirmative makes available Proprietary Models on the Folio Institutional Platform that may be used by Network Advisors in the process of providing investment advisory services in the Folio Institutional Wrap Fee Program. Proprietary Models are subject

to the same selection and review process as Third Party Models that participate in the program.

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.

### ***|| First Affirmative's Advisory Business***

First Affirmative provides investment advice consistent with the philosophies of environmental, social and governance (ESG) investing. 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.

Through Network Advisors, 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 advice concerning direct ownership of commodities, futures, derivatives or short selling.

### ***|| Discretionary Investment Advisory Services – Sustainable Investment Solutions in Practice***

#### **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. 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 Wealth Management, Inc., (Geneos/SelectOne) by making its Proprietary Models available 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 model constructed by First Affirmative is used by Geneos/SelectOne or a representative of Geneos/SelectOne in making a recommendation to a client.

#### **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.

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

First Affirmative does not charge performance-based fees.

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS *(Item 6C)***

##### **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 may 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 of future results or that the assumptions may 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 upon 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 devel-

opment factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that First Affirmative's 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 and risk tolerance.

**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.

## **VOTING SECURITIES (Item 6D)**

### **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.

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.

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:

- ERISA accounts that specifically require the plan sponsor to vote the proxies; 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 accessible by logging into the Folio Institutional website for advised clients, [www.folioclient.com](http://www.folioclient.com).

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 participating in votes related to such companies.

## **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS** *(Item 7)*

Third Party Model Managers are investment managers who provide no individualized investment advice to a client, do not place or execute transactions on behalf of a client and merely license proprietary information about the composition of a hypothetical portfolio to other investment advisors. Accordingly, as a general matter, Third Party Model Managers on the Folio Institutional platform receive no client information.

It should be noted, however, that, when a Network Advisor uses a Proprietary Model on the Folio Institutional platform, First Affirmative is both the investment manager of the model (or portfolio manager) as well as the investment advisor to the client. In its capacity as an investment advisor, First Affirmative provides individualized investment advice and has client information.

## **CLIENT CONTACT WITH PORTFOLIO MANAGERS** *(Item 8)*

A Third Party Model Manager generally has no contact of any type with a client, does not accept investor funds or pool those funds with other investors and does not offer its model portfolio services to anyone other than other investment advisors. Except as noted below, clients do not have access to Third Party Model Managers.

Again, it should be noted, however, that, when a Network Advisor uses a Proprietary Model on the Folio Institutional platform, First Affirmative is both the investment manager of the model (or portfolio

manager) as well as the investment advisor to the client. As an investment advisor to the client, First Affirmative (through the Network Advisor) has regular contact with the client.

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

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 9B)*

### **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 Brochures.

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 client trading in fractional and odd lot shares of secu-

rities. 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 are provided as part of the Wrap Fee, except the cost for incidental services requested by the client, such as a wire transfer fee (as noted in Item 4) or other separately disclosed fees for additional services. 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 broker-dealers (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 other custodians. Therefore, a conflict of interest 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 owned and 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 account will solicit sponsorship for the SRI Conference or communicate with any investment service providers regarding their sponsorship of the SRI Conference or other events organized by the SRI Conference Entity; 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 or 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.



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

There are no referral arrangements between First Affirmative and any RIA firm wherein an individual is a member, officer or employee of First Affirmative 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 First Affirmative's 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**

First Affirmative and/or individuals associated with the firm may buy or sell for their personal accounts securities identical to or different from those recommended to its 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 the 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 advisory 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 advice, IARs receive a portion of any fees charged for financial planning, hourly consultation or other services provided under nondiscretionary investment advisory agreements.

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

**Folio Research.** Folio Research provides advisory services to other RIA firms and BDs. 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 (Investment Advisor Representative), 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.

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 advisory 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 9C)**

First Affirmative has adopted a code of ethics ("the Code") which sets forth high ethical standards of business conduct that is 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 First Affirmative's Chief Compliance Officer, Kathy Lewis at [kathy@firstaffirmative.com](mailto:kathy@firstaffirmative.com), or by calling 719.636.1045 x119.

## **REVIEW OF ACCOUNTS (Item 9D)**

### **|| 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 advisory fees described in Item 4 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 Third Party BD or Third Party RIA.** 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 9E)*

### **|| 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 its 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.

## **FINANCIAL INFORMATION** *(Item 9F)*

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.