



## **Form ADV Part 2A – Appendix 1B**

December 31, 2019

### **Orion Wrap Fee Brochure for Clients and Prospective Clients of First Affirmative Financial Network, LLC**

#### **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 Folio Financial, 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, CO 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 Orion Portfolio Solutions, formerly FTJ FundChoice (Orion), LLC (Orion Wrap Fee Program) prior to entering into an investment advisory relationship with First Affirmative that includes participation in the Orion Wrap Fee Program. First Affirmative also sponsors a wrap fee program involving Folio Investments, Inc., which also conducts business under the name Folio Institutional (Folio Institutional Wrap Fee Program). A separate Wrap Fee Brochure is available for clients whose investment advisory relationship with First Affirmative includes participation in the Folio Institutional 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 703-245-5830 or [kathylewis@firstaffirmative.com](mailto:kathylewis@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.

## Material Changes (Item 2)

Consistent with SEC rules, First Affirmative updates this Wrap Fee Brochure at least annually, within 90 days of the close of its 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.

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## Services, Fees, and Compensation (Item 4)

### || Description of the Orion Wrap Fee Program

The Orion Wrap Fee Program applies to investment advisory services offered by First Affirmative, through its investment advisor representatives (IARs), as defined in the Disclosure Brochure, consistent with its Sustainable Investment Solutions advisory offering (as described in the Disclosure Brochure) using 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).

### || Wrap Fee for the Orion Wrap Fee Program

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

Tier	Dollar Value of Assets under Management	Fee per annum
On the first	\$50,000	1.450%
On the next	\$100,000	1.350%
On the next	\$100,000	1.200%
On the next	\$150,000	1.195%
On the next	\$100,000	1.125%
On the next	\$400,000	1.125%
On the next	\$100,000	1.100%
On the next	\$1,000,000	0.950%
One the next	\$1,000,000	0.850%
On the next	\$2,000,000	0.750%
On the next	\$5,000,000	0.550%
Above	\$10,000,000	0.450%

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

There is no minimum size for accounts that are advised by First Affirmative on the Orion platform and the Wrap fee is negotiable by clients through their Network Advisor.

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 First Affirmative uses institutional class shares of mutual fund share classes in managed mutual fund models.

#### || Incidental Fees Charged by TD Ameritrade

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 TD Ameritrade. All fees are subject to change and can be found at: [www.tdameritrade.com/pricing/brokerage-fees.page](http://www.tdameritrade.com/pricing/brokerage-fees.page).

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

## || Compensation to IARs relating to Client Participation in the Orion Wrap Fee Program

IARs are compensated from the Wrap Fee. The amount of this compensation may be more or less than the compensation an IAR would receive if not recommending the Orion Wrap Fee Program. This may create a conflict of interest in that the IAR may have a financial incentive to recommend the Orion Wrap Fee Program over other programs and services. See section below addressing compensation conflicts for a discussion as to how First Affirmative mitigates this conflict.

### 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.

There is no minimum size for accounts that participate in the Orion Wrap Fee Program and there is no minimum asset balance to be invested in any Third Party Model or any Proprietary Model.

The following types of clients may participate in the Orion 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 6)

#### || Selection of Models

IARs provide investment advisory services in the Orion 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. First Affirmative provides investment advice with the philosophies of sustainable, responsible, impact (SRI) investing. All investment portfolios 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 IAR.

In considering all of the models available on the Orion Platform (Proprietary Models and Third Party Models), IARs begin by reviewing the models available on the platform through discussions with wholesalers and reading fact sheets on each Third Party Model Manager. The IARs then review the risk and return ratios on each model as well as the performance to determine which models are likely to continue to meet the client's needs. Generally, models with ongoing substandard performance (as reported on the Orion Platform, which has been represented as being consistent with the performance standards of the CFA Institute) are eliminated along with models that may be considered "alternative strategies" (e.g., currency strategies). Further, IARs typically exclude exchanged traded fund (ETF) models on the Orion Platform due to the high minimum initial purchase amount of \$50,000. An IAR also may consider information about the model 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.

First Affirmative does not review, nor engage a third party to review, performance information relating to models shown on the Orion Platform for compliance with the CFA Institute standards or to verify accuracy. 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 Orion Platform that may be used by IARs in the process of providing investment advisory services in the Orion Wrap Fee Program. Proprietary Models are subject to the same selection and review process as Third Party Models that participate in the program.

One IAR is a member of First Affirmative senior management and the Investment Committee. In his role, he provides investment advisory services to individual clients, while also working on developing Proprietary Models. Proprietary Models developed by this IAR are subject to the same selection and review process as other Third Party Models and other Proprietary Models. Further, he does not receive compensation relating to his development of Proprietary Models.

## || First Affirmative's Advisory Business

First Affirmative provides investment advice consistent with ESG philosophies 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.

First Affirmative and its IARs (as defined in the Disclosure Brochure) provide, in the capacity of a fiduciary, discretionary investment advisory services to investors. These services are tailored to the individual needs of the client that seek integration of personal values and/or ESG factors in the construction and management of mutual fund portfolios. First Affirmative does not offer discretionary advice concerning direct ownership of non-mutual fund securities, commodities, futures, derivatives or short selling.

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

Through its IARs, 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. IARs 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 IAR, and the interests of First Affirmative are closely aligned.

#### *Wrap Fee Program Participation*

First Affirmative participates in a wrap fee program sponsored by Geneos Wealth Management, Inc., (Geneos/Axiom) by making its Proprietary Models available on the platform. The Proprietary Models on the Geneos/Axiom platform are required to meet certain criteria set by Geneos/Axiom 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/Axiom and are consistent with Geneos/Axiom'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/Axiom or a representative of Geneos/Axiom in making a recommendation to a client.

#### **|| Retirement Plan Consulting Services**

First Affirmative offers the services listed below to individuals and charitable organizations who need assistance with pension, profit sharing and 401(k) plans. The services are comprised of the following non-discretionary consulting services:

Identification of investment vehicles for the plan trustees; and  
Provisions of educational support and investment workshops to self-directed 401(k) plans participants.

First Affirmative does not provide investment advisory services to participants in retirement plans where it provides services to the plan.

First Affirmative IARs are authorized to recommend the services of QBox Financial Solutions (QBox), but they do not assist plan sponsors in choosing to use QBox or any other services provider. QBox is an SEC registered investment adviser that plan sponsors can use to assist them in the creation and administration of a plan (ERISA 3(21) fiduciary) and/or providing discretionary investment management services (ERISA 3(38) fiduciary). When recommending QBox, neither First Affirmative nor its IARs are acting as a fiduciary to any ERISA plan.

First Affirmative is compensated for its retirement plan consulting services either based on an hourly rate as negotiated between First Affirmative and the plan sponsor or a fee charged based upon assets under advisement by the asset custodian.

#### *Performance-Based Fees*

First Affirmative does not charge performance-based fees.

#### *Methods of Analysis, Investment Strategies, Risk of Loss*

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.

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

#### || Methods of Analysis

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

**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 is not included in their allocation. 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.

**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 is always the risk that past performance is not representative of future results or that the assumptions made prove to be incorrect.

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

**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.

**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 a good 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.

**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 one year may not be successful 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.

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

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

**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.

**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.



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, 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 in accordance with 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. First Affirmative offers these types of securities through VIA Folio. (For more information see the Disclosure Brochure.)

#### || 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.

#### || 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.

Clients may choose from proxy voting options that are offered by TD Ameritrade. First Affirmative does not vote proxies for clients in the Orion Wrap Fee Program. First Affirmative and its IARs may provide clients with consulting assistance regarding proxy issues if they contact First Affirmative with questions.

#### 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 Orion Platform receive no client information.

It should be noted, however, that, when an IAR uses a Proprietary Model on the Orion 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 an IAR uses a Proprietary Model on the ORION 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 IAR) has regular contact with the client.

#### Additional Information (Item 9)

#### || Disciplinary Information

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 disciplinary events to disclose.

## || Other Financial Industry Activities and Affiliations

Folio Parent. First Affirmative is a wholly-owned subsidiary of Folio Parent and under common control with Folio Investments, Inc. (Folio Investments), Folio Research, LLC (Folio Research), and SRI Conference & Community, LLC (SRI Conference LLC). Folio Investments, Folio Research and SRI Conference LLC are also wholly-owned subsidiaries of Folio Parent. Folio Research had not conducted business in several years and was dissolved in January 2020. Folio Investments provides custodial and other services to First Affirmative through its different divisions, using various trade names, including Folio Institutional and VIA Folio. Any and all services described in this document as being provided by Folio Institutional or VIA Folio are provided by Folio Investments.

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, Folio Parent and its subsidiaries including First Affirmative, have 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 Investments. As noted above in Item 4, Folio Investments 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 Investments and the wrap fee program sponsored by First Affirmative, please see the Wrap Fee Brochure.

Folio Investments 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, correcting errors, facilitating non-First Affirmative customer trading in fractional, round lot, and odd lot shares of securities, and managing its inventory of positions acquired through these activities. For the avoidance of doubt, Folio Investments 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. Due to the activities described above, Folio Investment 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 accordance with the "need to know" policy in effect between First Affirmative and Folio Investments, First Affirmative would not have a need to know about any proprietary positions held by Folio Investments and thus this information is not shared with First Affirmative, which mitigates the conflict of First Affirmative recommending securities held by Folio Investments.

When Folio Investments routes orders for execution, it receives 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 Investments 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 applicable to orders received by Folio Investments from its direct customer, unaffiliated RIA clients, and First Affirmative. Folio Investments does not share such compensation with First Affirmative or any other party. Both Folio Investments and First Affirmative monitor execution quality to identify orders that are not executed at prices equal to or better than the displayed applicable national best bid/offer price.

Folio Investments provides to First Affirmative the same or similar products, services and support, such as custody and execution, that it provides to unaffiliated advisors using its services. Except as described in Section 5 (Fees for Assets Custodied with Folio Investments (Folio Institutional)) – Transaction Based Pricing), no transaction-based fees are paid to Folio Investments by First Affirmative or its clients relating to securities transactions or custody. First Affirmative compensates Folio Investments for securities transactions and custody of client assets through payment of asset-based fees. To mitigate and address any conflicts that may arise as a result of Folio Investments' role as the custodian of assets for First Affirmative clients, Folio Investments has in place a strict "need to know" policy, which limits the sharing of First Affirmative's proprietary and confidential information to only persons who have a need for the information for the purpose of supporting First Affirmative's business activities or providing services to First Affirmative's clients.

First Affirmative may select BDs, including its affiliate, to provide brokerage services to client accounts. Conflicts may arise in the course of First Affirmative's selection of affiliated versus unaffiliated BDs. First Affirmative recommends BDs and places orders for the execution of transactions for its clients according to its best execution policies and procedures and consistent with the client's investment objectives. In selecting a BD as a custodian, including its affiliates, First Affirmative may take into account a range of factors it deems relevant, including, but not limited to cost of services; timing and speed of execution; responsiveness; creditworthiness and financial stability; likelihood of, and capabilities in, execution, clearance and settlement; liquidity in or with an execution venue; and other appropriate factors. After this analysis has been performed, a recommendation is made as to the custodian for the client account. The client has sole discretion as to any First Affirmative approved custodian for a Managed Mutual Fund Account, regardless of First Affirmative's recommendation. However, certain advisory service programs offered by First Affirmative may only be available through a single custodian.

First Affirmative receives more compensation for Managed Mutual Fund Accounts at Folio Investments than it does for the same type of accounts held at 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 being produced and hosted by The SRI Conference LLC, a separate entity under common ownership with First Affirmative. Participants and sponsors for The SRI Conference and regional conferences are, in many cases, persons or entities with which First Affirmative engages or uses in investment management or financial planning processes, and

some of the mutual funds and Third Party Model Managers used by First Affirmative for client portfolios also sponsor the conference. To mitigate and address any potential conflicts that may arise as a result of First Affirmative and the SRI Conference Entity being under common ownership and management:

No person who is a voting member of the First Affirmative Investment Committee, or who makes investment recommendations or places trades in client accounts will solicit sponsorship for The SRI Conference; and

When providers of investment products and services are conference sponsors or participants, First Affirmative Investment Committee members may consider using these products or services, but conference sponsorship is not a consideration or determining factor for First Affirmative in designing client portfolios.

No representations are made to sponsors indicating that their sponsorship will affect, positively or negatively, amounts that First Affirmative may cause to be invested in their mutual funds or investment models.

Folio Research. Folio Research is authorized to provide advisory services to other RIA firms and BD. As of December 31, 2019, Folio Research has no clients and is not actively engaged in an advisory business. Folio Research was dissolved in January, 2020.

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

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

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

#### || Managing Other Potential Conflicts

##### || Insider Trading

First Affirmative and/or individuals associated with the firm (including IARs) 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 IARs by First Affirmative relating to Discretionary Investment Management. A portion of the fees for investment advisory services are shared with IARs to compensate them for their services.

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.

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. 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

First Affirmative has adopted a code of ethics (Code) which sets forth high ethical standards of business conduct that are 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 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 [kathylewis@firstaffirmative.com](mailto:kathylewis@firstaffirmative.com), or by calling 703-245-5830.

## || Review of Accounts

### || 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 designed. First Affirmative can also provide reports on the social and ethical issues associated with a portfolio of specific common stocks.

## || Client Account Reviews

IARs. Each IAR has the ability to view all positions and activities in his/her client account(s) via the internet, and each IAR receives copies of all reports provided to their client(s). IARs 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.

Third Party Model Managers. 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.

#### || 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.

#### || Financial Information

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.