

## **Disclosure Brochure**

(Part 2A of Form ADV)

### **FIRST NATIONAL CORPORATION**

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This Disclosure Brochure provides information about the qualifications and business practices of First National Corporation. If you have any questions about the contents of this Disclosure Brochure, please contact us at: 781-878-7757, or by email at: [jason@fncadvisor.com](mailto:jason@fncadvisor.com). The information in this Disclosure Brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about First National Corporation is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 120859.

February 23, 2021

## **Material Changes**

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### **Annual Update**

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

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### **Material Changes since the Last Update**

There have been no material changes to this Disclosure Brochure since the last filing and distribution to Clients.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Disclosure Brochure, please contact us by telephone at: 781-878-7757 or by email at:

[jason@fncadvisor.com](mailto:jason@fncadvisor.com).

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## Advisory Business

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### Advisor Description

First National Corporation, (“First National” or the “Advisor”) was founded in 1978. First National provides personalized investment management, financial planning and consulting services to individuals, high net worth individuals, trusts, estates pension and profit-sharing plans, charitable organizations, businesses and other investment advisors (each a “Client”).

Advice is provided through consultation with the Client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. First National also provides investment management services through its separately managed account strategies called Chapoquoit Dynamic Portfolios (“Chapoquoit”).

All Clients must establish and maintain their account[s] at a qualified custodian. The Client always maintains control over their account[s] and the ability to view or access their assets at any time. The Client will authorize First National to have investment discretion to purchase or sell investments within their established account[s] at the custodian. For certain Clients, First National may also have authority to make payments on behalf of the Client from the Client’s account[s]. Please see the Custody section below.

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

Certain of First National’s Advisory Persons may sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products if such products are appropriate for their Clients. First National may directly or indirectly compensate other professionals for Client referrals. Please see the section Client Referrals and Other Compensation below.

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

The Advisor serves as a fiduciary to Clients, as defined under applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest. Our fiduciary commitment is further described in our Code of Ethics. For more

information regarding our Code of Ethics, please see the Code of Ethics, Participation or Interest in Client Transactions and Personal Trading section below.

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**Principal Owners**

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

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**Types of Advisory Services**

First National provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations; issues periodicals about securities by subscription; issues special reports about securities; and issues, charts, graphs, formulas, or other devices which Clients may use to evaluate securities.

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

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

For individuals:

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

For other investment advisors:

- Investment Management

For businesses:

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

The Principals of the Advisor may also provide educational seminars and workshops to Clients and prospects. These seminars and workshops are provided as a courtesy at no cost to attendees.

As of December 31, 2020, First National manages \$980,973,535 in Client assets, \$879,476,273 of which is on a discretionary basis, and \$101,497,262 on a

non-discretionary basis. Clients may request more current information at any time by contacting the Advisor.

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### **Tailored Relationships**

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

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

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### **Investment Management Services**

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

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds ("ETFs"). Mutual funds and ETFs charge each shareholder fund fees, disclosed in the fund prospectus. Such fees include the management fee, operating expenses and other fees. These fees are in addition to the fees paid by you to First National. Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted. Discount brokerages may also charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through the Client's account[s] when appropriate. The custodian charges a fee for stock and bond trades. First National does not receive any compensation, in any form, from fund companies and does not receive any portion of transaction costs charged by the custodian.

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

Clients may also invest in managed accounts strategies sponsored by First National or other unaffiliated investment advisors, if the Client's investment

parameters are appropriate for the strategies and the Client meets the required investment minimums.

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

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### **Chapoquoit Dynamic Portfolios**

First National is the investment manager of Chapoquoit Dynamic Portfolios, a separately managed account. In managing Chapoquoit, the Advisor employs an active asset allocation strategy using a diversified set of equity, commodity and fixed income ETFs. The investment objectives of Chapoquoit are to: strive for portfolio returns with low correlation to the stock market; target attractive long-term investment returns, after fees; seek to outperform the stock market in equity bear markets; seek to minimize the effect of months with negative returns; and attempt to provide returns above the long-term average for equities, but with bond-like risk. Chapoquoit is managed by Philip Nehro and Richard Oberuc, investment advisor representatives of First National. Messers. Nehro and Oberuc are not, however, responsible for the day-to-day management of First National.

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### **Financial Planning Services**

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

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

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

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### **Retirement Plan Advisory Services**

The Advisor's retirement plan advisory services are designed to provide independent consulting services to 401(k), 403(b) and other types of retirement and pension plans. We do not sell or have any retirement plan proprietary products.

The Advisor's retirement and pension plan advisory services assist Plan Sponsors with the fiduciary oversight of their retirement plan (the "Plan"). By acting as fiduciary within the meaning of 3(21) or 3(38) of ERISA, the Advisor can either share, or assume full responsibility with respect to the selection of investments, ongoing monitoring and reporting. The Advisor's documented processes are designed to help Plan Sponsors meet their required fiduciary obligations. The



retirement plan advisory services include: develop investment policy statement; investment and allocation selection; ongoing fund monitoring, QDIA selection assistance, electronic fiduciary vault, vendor search and analysis, plan fee benchmarking, and Participant education.

## Fees and Compensation

### Description

First National bases its fees on a percentage of assets under management, hourly charges and fixed fees. Lower fees for comparable services may be available from other sources. Some agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

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

*Investment Management Services* - The annual investment management fee is based on the following tiered schedule ranging from 1.25% to 0.45% depending upon the market value of the assets under management at the end of the prior calendar quarter and the type of investment management services to be rendered.

Assets Under Management	Annual Rate (%)
Up to \$500,000	1.25%
Next \$500,000 (Up to \$1,000,000)	1.00%
Next \$4,000,000 (Up to \$5,000,000)	0.85%
Next \$10,000,000 (Up to \$15,000,000)	0.60%
Over \$15,000,000	0.45%

An additional 0.40% may be assessed to accounts participating in the Chapoquit Dynamic Portfolios. Certain Clients may have fee arrangements that differ and may be higher or lower from the schedule above. Certain high net worth Clients may also be offered a fee arrangement that is based on the net worth of the Client and not the assets under management. Certain Clients may also be offered a fixed annual fee. Fees are negotiable at the sole discretion of the Advisor.

*Financial Planning Services* - The fee for financial planning is predicated upon the facts known at the start of the engagement. The financial planning and consulting fees generally range between \$1,000 and \$8,000. Fees may be negotiable depending on the nature and complexity of each Client's circumstances and the overall relationship with the Advisor. Since financial planning is a discovery

process, situations occur wherein the Client is unaware of certain financial exposures or predicaments. If the Client wishes to continue to engage the Advisor to modify or update a financial plan, the fee will be \$250 per hour. In the event that the Client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The Client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

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

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

*Retirement Plan Advisory Services* - Fees for retirement plan advisory services are billed at an annual rate of up to 0.75% of the assets in the Plan, based on the size of the Plan and the scope of the services to be provided. The Advisor may also engage with a Plan Sponsor for a fixed annual fee. The exact fees charged for these services will be specified in a Client agreement executed before service begins. Fees may be negotiable at the sole discretion of the Advisor.

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## **Fee Billing**

*Investment Management Services* - Investment management fees are billed quarterly, in advance of each calendar quarter, meaning that we invoice you before each three-month billing period has begun. Investment management fees are calculated by the Advisor or its delegate and deducted from the Client's account[s] at the Custodian. The Advisor shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client's account[s] at the beginning of the respective quarter. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated Client account at the Custodian to facilitate billing. The Client must consent in advance to direct debiting of their account[s].

Clients may make additions to and withdrawals from their account[s] at any time. However, reconciliations are performed on a quarterly basis to capture flow that are deposited into or withdrawn from an account after the start of the quarterly billing period. An adjustment will be made in the form of a credit or debit the following billing period to reflect the interim change in portfolio value from the date of the deposit/withdrawal until the end of the quarter.

*Chapoquoit Dynamic Portfolios* - As compensation for management of the separately managed account, First National receives a fee of up to 0.90% per annum, which may be reduced depending upon the level of assets in the individual account.

*Financial Planning Services* - Fees for financial plans are billed 50% in advance, with the balance due upon delivery of the financial plan. Fees for financial plans may be paid by check, credit card or through brokerage account debit, based on the terms of the agreement.

*Retirement Plan Advisory Services* - Retirement plan advisory services may be billed in advance or in arrears. Fees are generally billed quarterly. Fees may be deducted from the accounts of the Plan Participants or paid directly by the Plan Sponsor.

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**Other Fees**

Clients may incur certain fees or charges imposed by third parties, other than First National, in connection with investments made on behalf of the Client's account[s]. The Client is responsible for all securities execution and custody fees charged by the Custodian, if applicable. The Advisor's recommended Custodians do not charge securities transaction fees for ETF and equity trades in Client accounts, but typically charges for mutual funds and other types of investments. The fees charged by First National are separate and distinct from these custody and execution fees.

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

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

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

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**Past Due Accounts and Termination of Agreement**

A Client may terminate any of the aforementioned agreements, at any time, by notifying First National in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the Client

made an advance payment, First National will refund any unearned portion of the advance payment. If termination occurs within five (5) business days of entering into an agreement for services, the Client is entitled to a full refund. If the Client made an advance payment, First National will refund any unearned portion of the advance payment.

First National reserves the right to stop work on any account that is more than 30 days overdue. In addition, First National reserves the right to terminate any financial planning engagement where a Client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in First National's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Performance-Based Fees and Side-by-Side Management**

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### **Sharing of Capital Gains**

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

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

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### **Side-by-Side Management**

First National also acts as the investment advisor to a separately managed account, Chapoquoit Dynamic Portfolios. First National receives an investment management fee for providing advisory services to Chapoquoit. Managing two different formats of investments is often referred to as side-by-side management and doing so creates some conflicts of interest. For example, because the advisory fees payable to the Advisor by the separately managed account may exceed advisory fees payable by the individual Client account[s], First National might be viewed as having an incentive to favor the separately managed account over other account[s] in its trading activities. First National's advisory activities on behalf of Chapoquoit may increase the level of competition among Clients' account[s] and Chapoquoit for the execution of the same or similar transactions. Also, Chapoquoit will be in competition with First National's other Clients for the limited amount of time the Advisor has to monitor the various trading portfolios, and orders for securities transactions for Chapoquoit may be grouped with orders for other Clients of First National. First National believes that it has sufficient time to devote to monitoring and trading both the separately managed account and Client assets. In addition, First National believes it has created and implemented internal allocation policies and procedures to address these conflicts.

## **Types of Clients**

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### **Description**

First National generally provides investment advice to individuals, high net worth individuals, trusts, estates, pension and profit-sharing plans, charitable organizations, corporations, business entities and other investment advisors. The amount of each type of Client is available on the Advisor's Form ADV Part 1A. These amounts may change over time and are updated at least annually by the Advisor. Client relationships vary in scope and length of service.

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### **Account Minimums**

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

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

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### **Methods of Analysis**

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

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

Other sources of information that First National may use include Morningstar Advisor Workstation, Schwab Institutional Services' research services, Fidelity Institutional Wealth Services, and other Internet sources.

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### **Investment Strategies**

The primary investment strategy used on Client account[s] is strategic asset allocation using Modern Portfolio Theory. This means that we use passively-managed index and exchange-traded funds as well as actively-managed funds. Portfolios are globally diversified to control the risk associated with traditional markets.

The Advisor also implements investment strategies that are based on tactical quantitative asset allocation. Under this strategy, First National dynamically optimizes the asset allocation of underlying index weightings based on quantitative models.

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

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

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**Risk of Loss**

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

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a

standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **ETF Risks:** An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment advisor management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable, and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate. Clients should be aware that to the extent they invest in ETF securities they will pay two levels of advisory compensation – advisory fees charged by the Advisor plus any advisory fees charged by the investment advisor of the ETF. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if a Client purchased the ETF directly.
- **Leveraged and Inverse ETFs:** Leveraged and Inverse ETFs are not suitable for all investors and should be utilized only by sophisticated investors who understand leverage risk, consequences of seeking daily leveraged investment results and intend to actively monitor and manage their investments. Leveraged ETFs are not designed to track the underlying index over periods longer than one trading day. The use of leverage increases the level of investment risk. Leverage will magnify gains or losses on those investments. Inverse ETFs lose value when the underlying investments rise in value. The investments have the risk of not meeting their stated daily investment objectives over a long-term period.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.**

## **Disciplinary Information**

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### **Legal and Disciplinary**

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

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

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

### **Broker-Dealer Affiliation**

Certain of the Advisor's Advisory Persons are also registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), a registered broker-dealer and member of FINRA. Clients may engage investment advisor representatives of First National in their separate capacity as registered representatives to effect securities transactions through PKS. Brokerage commissions will be charged by PKS to implement these securities transactions and thereafter, a portion of these commissions will be paid by PKS to the investment advisor representative. The investment advisor representative will also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the Client maintains the mutual fund investment. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. First National will not earn ongoing investment advisory fees on assets implemented through PKS.

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

For account[s] covered by ERISA (and such others that the Advisor, in its sole discretion deems appropriate), First National may modify the foregoing commission



arrangement to allow for its investment advisor services to be rendered on a fee-offset basis. In this scenario, the Advisor may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Advisory Person in their individual capacities as registered representatives of PKS.

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

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### **Code of Ethics**

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

### **Participation or Interest in Client Transactions**

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

### **Personal Trading**

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

## **Brokerage Practices**

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### **Selecting Brokerage Advisors**

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

First National generally recommends that Clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("Schwab") or Fidelity Clearing & Custody Solutions, a division of Fidelity Investments, Inc. and its related entities (collectively "Fidelity"). Schwab and Fidelity (the "Custodians") will be recommended as the Client's "qualified custodian" for investment management accounts. The Custodians enable First National to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by the Custodians may be higher or lower than those charged by other broker-dealers/custodians. In addition, the Custodians have

agreed to reimburse certain fees associated with a Client's transfer of assets to their respective platforms.

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**Best Execution**

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

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

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**Soft Dollars**

First National does not receive any soft dollars from the Custodians. However, First National does receive certain economic benefits from the Custodians. Please see Client Referrals and Other Compensation below.

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**Order Aggregation**

Most trades are mutual funds or ETFs where trade aggregation does not garner any Client benefit.

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

## Review of Accounts

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**Periodic Reviews**

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

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

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**Review Triggers**

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

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**Regular Reports**

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

## **Client Referrals and Other Compensation**

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**Incoming Referrals**

First National receives referrals from affiliated or unaffiliated solicitors. If a Client is introduced to First National by either an unaffiliated or an affiliated solicitor, the Advisor will pay that solicitor a referral fee. Any such referral fee shall be paid solely from the Advisor's investment management fee, and shall not result in any additional charge to the Client. First National or the solicitor will provide the Client with a solicitor disclosure statement prior to entering into an agreement with the Advisor.

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**Referrals Out**

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

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**Other Compensation****Participation in Institutional Advisor Platform (Schwab)**

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

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

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

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

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

#### Participation in Institutional Advisor Platform (Fidelity)

First National has established institutional relationship with Fidelity to assist the Advisor in managing Client account[s]. The Advisor receives access to software and related support as part of its relationship with Fidelity. The software and related systems support may benefit the Advisor, but not its Clients directly. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a Custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of the Custodian over one that does not furnish similar software, systems support, or services.

Additionally, the following benefits are also received from Fidelity: reimbursement to Clients for transfer costs to the platform/custodian; financing services, receipt of

duplicate Client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts; and access to an electronic communication network for Client order entry and account information.

## **Custody**

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### **Qualified Custodian and Money Movements**

First National requires Clients to establish accounts at a “qualified custodian”. First National typically has the authority to deduct its fees from the Client’s accounts. In addition, for certain Clients, the Advisor has authority to move money from one of the Client’s account[s] to another account or to make recurring payments to third parties at the direction of the Client. Further, Advisory Persons of the Advisor may also serve as a Trustee for certain Client relationships. These activities are considered custody under the securities laws. The Advisor will obtain an annual surprise examination by an independent auditing firm to ensure compliance with securities regulations.

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### **Account Statements and Performance Reports**

The Client’s custodian shall provide the Client with a statement of their account[s], at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by First National.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

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

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

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

## Voting Client Securities

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### Proxy Voting

First National does not vote proxies on securities. Clients are expected to vote their own proxies. When assistance on voting proxies is requested, First National will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

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### Class Actions

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

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## Financial Information

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### Financial Condition

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

A balance sheet is not required to be provided because First National does not require prepayment of fees of more than \$1,200 per Client, and six months or more in advance.

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## Business Continuity Plan

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### General

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

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### Disasters

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

In the event of a natural disaster, such as the loss of electrical power at the principal place of business of the Advisor, First National will use its best efforts to ensure that its Clients are timely informed of alternative methods of communicating with members of the Advisor or directly with the Custodian. These communication methods may include the internet, email, voicemail, as well as prior written notification to Clients.

# Information Security Program

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## Information Security

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

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## Privacy Notice

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

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

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

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

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

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

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