

# Green Alpha Advisors, LLC

Money Management for Environmentally Focused Capital

## Green Alpha Advisors, LLC

1906 13<sup>th</sup> Street  
Suite 302  
Boulder, Colorado 80302

Telephone: 303-993-7856

Fax: 303-568-0130

Email: [info@greenalphaadvisors.com](mailto:info@greenalphaadvisors.com)

Website: [www.greenalphaadvisors.com](http://www.greenalphaadvisors.com)

## Form ADV Part 2A: Firm Brochure

### Item 1: Cover Page

**Date Updated: January 31, 2012**

This brochure provides information about the qualifications and business practices of Green Alpha Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 303-993-7856 or [info@greenalphaadvisors.com](mailto:info@greenalphaadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Green Alpha Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

The following items are material changes since the last update of this brochure, dated March 29, 2011.

Effective January 1, 2012 Green Alpha Advisors' principal place of business moved to:

1906 13<sup>th</sup> Street, Suite 302, Boulder, Colorado 80302

All other contact information remains the same.

As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Green Alpha Advisors is no longer eligible to remain registered with the Securities and Exchange Commission ("SEC"). Effective December 8, 2011 Green Alpha Advisors withdrew its registration with the SEC. The company is registered with the State of Colorado Division of Securities.

**Item 3: Table of Contents**

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#### Item 4: Advisory Business

- A. Green Alpha Advisors was founded in July 2007. Its principal owners are:

Name	Ownership %
Jeremy W. Deems	28.19%
Garvin F. Jabusch	28.19%
Red Idea, LLC	28.19%

- B. Green Alpha Advisors offers investment advisory services to our clients in the form of separately managed accounts. Our portfolios are constructed of exchange-traded securities and securities traded over-the-counter. While most of our portfolio holdings are domiciled in the United States (U.S.), we do invest in foreign companies that are traded on U.S. exchanges.
- C. Green Alpha Advisors does offer the ability to tailor our investment advisory services to clients. On a client-by-client basis, we may allow clients to impose restrictions on investing in certain securities or types of securities.
- D. Green Alpha Advisors does not currently participate in any wrap fee programs.
- E. Client Assets Under Management: As of December 31, 2011, we manage \$4,818,060 on a discretionary basis. We do not currently manage any assets on a non-discretionary basis.

#### Item 5: Fees and Compensation

- A. Green Alpha Advisors charges an investment management fee based on a percentage of assets under management. The following is a summary of our basic management fee schedule for each of our portfolio strategies:

Strategy Name	Annual Management Fee
Green Alpha Next Economy Index	0.95%
Next Economy Technologies Portfolio	1.50%
<b>Sierra Club Green Alpha Portfolio:</b>	
Account size \$10,000 to \$49,999	2.65%
Account size \$50,000 to \$99,999	2.25%
Account size \$100,000 and up	1.75%

Fee discounts are applied for non-profit organizations. All fees are negotiated on a client-by-client basis.

- B. Investment advisory fees are charged quarterly pursuant to the annual basis point fee schedule agreed upon with each client in the Investment Management Agreement. The quarterly fee for

each account is equal to ¼ of the annual fee calculated by applying the basis point fee schedule to average month-end value of the account as of the close of the last trading day of the billing period (i.e. calendar quarter) or on the last trading day before the Investment Management Agreement is terminated. Quarterly fees are billed in arrears for each calendar quarter and payable within 30 days. Earned and unpaid fees are payable immediately upon termination of the Managed Account Agreement. Quarterly fees are prorated as appropriate for initial quarter and upon termination. Fees are generally deducted directly from clients' accounts unless otherwise agreed to in the Investment Management Agreement.

- C. In addition to the investment advisory fees, clients incur transaction costs related to the buying and selling of securities in their accounts. These costs are charged by the custodian. See Item 12 of this brochure for more information regarding brokerage and transaction costs.
- D. Clients are not required to pay any fees in advance.
- E. Green Alpha Advisors' employees do not accept compensation for the sale of securities or other investment products.

**Item 6: Performance-Based Fees and Side-By-Side Management**

Green Alpha Advisors does not charge or accept performance-based fees.

**Item 7: Types of Clients**

Green Alpha Advisors provides investment advisory services to individuals, investment companies, pension and profit sharing plans, trusts, estates, non-profit organizations, and corporations. We generally require the following minimum account size as follows:

Strategy Name	Minimum Account Size
Green Alpha Next Economy Index	\$100,000
Next Economy Technologies Portfolio	\$50,000
Sierra Club Green Alpha Portfolio	\$10,000

**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

- A. We use the term "Next Economy" frequently at Green Alpha Advisors, so perhaps the best way to introduce our investment thesis is to define the term. By 'Next Economy' we mean the economy as it must exist in the future to make human civilization function within Earth's environment. And functionally, it means that we invest in the leading companies that are providing solutions to the most critical crises confronting the environment and therefore civilization.

All products in our suite of Next Economy investment portfolios have two things in common. Each is designed to give clients an innovative option in how they would like to engage in green equity investing, and each employs a careful, rigorous research process.

On a macroeconomic level, we take the unusual approach of using climate science and other data intensive inputs such as demography, ecological science, physical science and policy as the framework for our theory of how to structure a Next Economy able to function in a warming, resource constrained Earth. The inputs from these various sources are used to identify sectors, industries and specializations that will have to grow rapidly to mitigate civilization's most significant issues.

At the company level, we employ a sophisticated approach to fundamental investment research, including proprietary valuation methods that embed environmental performance into traditional financial analysis. Our investment process is calibrated to ensure portfolio companies exhibit sound financial management and have business models that address one or more of the economic-environmental challenges facing civilization and are optimized for eco-efficiency of continuing operations. Each company is assessed on the basis of financial, business and environmental vectors of performance. Companies selected through this process comprise the green economy. Whereas this cross-cap universe is sufficiently populous to provide for comprehensive differentiation across various sets of risk factors, it is materially different from conventional broad market proxies. This universe of issuers serves as the foundation for development of active portfolios and passive indices. Our investment products are independently engineered through a combination of risk management techniques and optimization algorithms to obtain maximum return for a given level of investor risk tolerance.

While our investment process attempts to limit risk of loss, investing in securities involves risk and our clients should be prepared to bear such loss.

- B. Our suite of investment strategies includes the Green Alpha Next Economy Index (GANEX), the Sierra Club Green Alpha Portfolio, and the Next Economy Technologies Portfolio. The **GANEX** is a broad, cross-capitalization, multi-industry, multi-sector green equity index. Its purpose is to:
- (1) Represent the emerging, green, eco-efficient economy in all its aspects, in effect defining the next, green economy
  - (2) Demonstrate the growth, breadth and depth of this Next Economy™
  - (3) Serve as a performance benchmark for active green public equity investment strategies
  - (4) Provide a universe of Next Economy companies to draw from to manage active green strategies

Next Economy, eco-efficient companies identified during the ongoing research process are evaluated for market liquidity and bankruptcy risk. Those passing these criteria are admitted into the GANEX with a modified market-cap weighting. The GANEX is completely reconstituted annually. In addition, the investment committee meets monthly to discuss possible additions or removals to or from the index between reconstitution events. These changes, while important to ensure the index remains current with the Next Economy, do not have a dramatic effect on portfolio turnover. The material risk involved with the GANEX is the potential for loss of value related to public equity investing. This strategy does not involve frequent trading of securities.

The **Sierra Club Green Alpha Portfolio** is unique among our portfolios in that it is a blend of Green Alpha Advisors' Next Economy universe and the Sierra Club's proprietary green investment guidelines, which they have used for decades to ensure they invest in only the least environmentally detrimental companies. The intersection of these two cutting-edge green stock selection processes produces the Sierra Club Green Alpha Portfolio. The target number of securities in this strategy is between 20 and 30 companies. The primary risks involved with the Sierra Club Green Alpha Portfolio are the potential for loss of value related to public equity investing and a moderate level of transaction costs related to trading of securities. Active trading of securities can affect investment performance through increased transaction costs and taxes.

The **Next Economy Technologies Portfolio** seeks to maximize return from green equity investing by selecting companies from the Green Alpha research universe with the highest growth potential in the Next Economy. Rather than investing in the entire representative basket of the Next Economy, as with the GANEX, or in a screened and selected subset of the green economy as with the Sierra Club Green Alpha Portfolio, the Next Economy Technologies Portfolio is an actively managed group of companies of a kind whose business models and technologies will be required to run the 21<sup>st</sup> century. The primary risks involved with the Next Economy Technologies Portfolio are the potential for loss of value related to public equity investing and a moderate level of transaction costs related to trading of securities. Active trading of securities can affect investment performance through increased transaction costs and taxes.

- C. Green Alpha Advisors' portfolios invest in public equity securities that are traded on U.S. domiciled exchanges. The equity securities may be exchange-listed securities, securities traded over-the-counter, and includes foreign issuers whose securities trade in the U.S. in the form of American Depositary Receipts (ADR). The primary risk involved with equity securities is the risk of loss of value.

#### **Item 9: Disciplinary Information**

- A. Green Alpha Advisors, including its management persons have not been involved in any criminal or civil action in a domestic, foreign or military court.
- B. Green Alpha Advisors, including its management persons have not been subject to any administrative proceeding before the SEC, or any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- C. Green Alpha Advisors, including its management persons have not been subject to any disciplinary proceeding with a self-regulatory organization.

#### **Item 10: Other Financial Industry Activities and Affiliations**

- A. Green Alpha Advisors, including its management persons are not registered as a broker-dealer or a registered representative of a broker-dealer.

- B. Green Alpha Advisors, including its management persons are not registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Green Alpha Advisors, including its management persons do not have any material arrangements with related persons.
- D. Green Alpha Advisors does not recommend or select other investment advisors for our clients.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

In our efforts to ensure that Green Alpha Advisors, LLC develops and maintains a reputation for integrity and high ethical standards, it is essential not only that Green Alpha Advisors and its employees comply with relevant federal and state securities laws, but also that we maintain high standards of personal and professional conduct. Green Alpha Advisors' Code of Ethics (the "Code") is designed to help ensure that we conduct our business consistent with these high standards. We will provide a copy of our Code to any client or prospective client upon request.

Green Alpha Advisors does not buy or sell securities for client accounts in which we have a material financial interest. Since we are committed to our investment strategies, we do however invest in the same securities that we buy and sell for our client accounts. This represents a conflict of interest. In order to mitigate this conflict of interest, our Code contains a number of rules and procedures relating to personal trading by Green Alpha Advisors officers, directors, employees and their families. In particular, no employee may buy or sell a security if the employee knows that Green Alpha Advisors, is purchasing or selling, or contemplating purchasing or selling, that same security on behalf of our clients. We closely monitor trading accounts of our employees to ensure all personal securities transactions are conducted consistent with our Code and in such a manner as to avoid any conflicts of interest. In addition, employees are encouraged to assign investment discretion on their personal accounts to Green Alpha Advisors, when appropriate. This addresses any potential conflict of interest as our employees' personal investment assets are traded in the same strategies as those of our clients.

Most importantly, Green Alpha Advisors and our employees owe a fiduciary duty to our clients that requires each of us to place the interests of our clients ahead of our own interests.

**Item 12: Brokerage Practices**

- A. Green Alpha Advisors selects brokers to execute our trades on behalf of our clients and evaluates all brokerage services on an ongoing basis. We select brokers on the basis of parameters including execution capability, average commission rate, financial responsibility, and responsiveness to the needs of Green Alpha Advisors and our clients. Commission rate is an important consideration and we seek to identify brokers offering best execution for client accounts. Any recommendation of a broker to clients is based on discretionary authority for trade execution; we do not actually recommend custodians to our clients. Our clients have the option to choose a custodian if we can trade the client's account with more than one broker.

1. Research and Other Soft Dollar Benefits. Green Alpha Advisors does not receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions.
  2. Brokerage for Client Referrals. Green Alpha Advisors does not receive client referrals from broker-dealers, and as such, is not a factor when considering broker-dealers.
  3. Directed Brokerage. Green Alpha Advisors does not currently permit direct brokerage.
- B. When available, Green Alpha Advisors may aggregate orders for client accounts with orders for other client accounts and allocate the aggregate amount of the investment among accounts as appropriate. We aggregate orders if conditions are such that transaction costs are favorable and we can execute orders at the same prices for each of the included client accounts.

### **Item 13: Review of Accounts**

Green Alpha Advisors regularly reviews our client accounts to ensure the portfolios comply with the investment strategy described in the associated Investment Management Agreement. Reviews of client accounts take place no less than quarterly and include a review of all holdings and any activity during the period, including dividends, corporate actions, and accuracy of any management fees and transaction costs. The Investment Committee of Green Alpha Advisors conducts the reviews of accounts. Investment Committee members include:

Garvin Jabusch, Co-Founder and Chief Investment Officer  
Jeremy Deems, Co-Founder, Chief Operating Officer, and Chief Financial Officer

### **Item 14: Client Referrals and Other Compensation**

Green Alpha Advisors does not compensate any person who is not an employee for client referrals.

### **Item 15: Custody**

Green Alpha Advisors does not have custody of any client assets or securities. Our clients' assets are maintained at a qualified custodian bank and/or broker-dealer. Our clients receive account statements monthly from their custodian. Clients should carefully review those statements for accuracy and notify us immediately of any issues.

Our clients generally authorize Green Alpha Advisors to deduct our management fees directly from their accounts. As such, Green Alpha Advisors must be in compliance with Colorado Rule 51-4.10 (1A) B.2 regarding custody and safekeeping requirements. Pursuant to the above Rule, Green Alpha Advisors is deemed to have constructive custody.

### **Item 16: Investment Discretion**

Green Alpha Advisors accepts discretionary authority to manage securities accounts on behalf of our clients. On a case-by-case basis, we may allow clients to impose limitations on this investment authority. Clients assign investment discretion to Green Alpha Advisors via the Investment Management Agreement executed with each client.

### **Item 17: Voting Client Securities**

Green Alpha Advisors accepts authority and responsibility for voting client securities. Green Alpha Advisors votes in accordance with guidelines we have developed and on a security by security basis. Members of the Investment Committee vote all client proxies at their discretion, but in all cases proxies are voted in a manner consistent with the best interest of our clients, and when appropriate, to advance environmental and social issues. If a client is interested in directing our vote in a particular solicitation, we encourage our clients to contact us so we can work together to facilitate such a request. Clients may contact us in writing to obtain information about how we voted on a particular solicitation. In addition, clients may obtain a copy of our proxy voting policies and procedures upon request.

### **Item 18: Financial Information**

- A. Green Alpha Advisors does not require or solicit prepayment of any fees by our clients.
- B. There are no financial conditions that are reasonably likely to impair our ability to meet contractual commitments to our clients.
- C. Green Alpha Advisors has never been the subject of a bankruptcy petition.

### **Item 19: Requirements for State-Registered Advisors**

- A. The following individuals are the principal executive officers of Green Alpha Advisors:

**Jeremy W. Deems: (Born 1976)**

Co-Founder, Chief Financial Officer, Chief Operating Officer, Chief Compliance Officer and Member of the Investment Committee. Mr. Deems earned an MBA in Finance and a B.S in Business Administration from St. Mary's College of California. He is also a Certified Public Accountant. Prior to co-founding Green Alpha Advisors in July 2007, Mr. Deems was CFO of Forward Management, LLC, and Co-Portfolio Manager of the Sierra Club Stock Fund. He was also Treasurer of Forward Funds, a family of mutual funds. Mr. Deems currently serves as Independent Trustee and Chairman of the Audit Committee of the Reaves Utility Income Fund, Financial Investors Trust, Financial Investors Variable Insurance Trust and ALPS ETF Trust.

**Garvin F. Jabusch: (Born 1966)**

Co-Founder, Chief Investment Officer and Member of the Investment Committee. Mr. Jabusch earned an MBA in International Finance from Thunderbird School of International Management, an M.S. in Physical Anthropology from the University of Utah, and a B.S. in Anthropology from the University of Utah. Before co-founding Green Alpha Advisors in July 2007, Mr. Jabusch was Vice President and Director of Sustainable Investments at Forward Management, LLC and Co-Portfolio Manager of the Sierra Club Stock Fund. Prior to that he served as Vice President, Strategic Services at Morgan Stanley.

- B. Green Alpha Advisors is solely engaged in the business of providing investment management services.
- C. Green Alpha Advisors does not charge performance-based fees.
- D. Not applicable.
- E. Not applicable.