Important Considerations for Liquidity Needs

D|A|DAVIDSON

Option	Characteristics and Potential Advantages	Risks and Issues to Consider	D.A. Davidson / D.A. Davidson Financial Professional Conflicts
Davidson Lending Program *Minimum Line of Credit to Be Eligible: $75,000*	• Allows you to **stay invested** in the market • Provides **access to liquidity** for short-term needs • **Prevents liquidation** of low-cost basis securities • Line of credit provides **flexibility** and access to funds for future cash needs • So long as there is enough equity in your non-qualified account(s), **no need to liquidate investments** to raise funds	• Market fluctuations may cause the value of your marketable securities (pledged as collateral) to decline, which **could require you to sell your securities or provide additional collateral** • **Minimum line** for eligibility is **$75,000**, though draws on available credit can be less than $75,000 • **Trading restrictions** on pledged account(s) • **Account withdrawals** permissible with Loan Provider approval only • **Interest expenses** (in addition to the commissions or fees being paid in your D.A. Davidson brokerage and/or advisory accounts) • **Not every asset type qualifies** as collateral for the line of credit • Loan Provider may require **continuous verification** of your credit worthiness	• Because you are not liquidating your D.A. Davidson accounts, D.A. Davidson and its financial professionals **continue to collect compensation on assets held in the account (brokerage commissions and/or advisory fees, as applicable)** • D.A. Davidson and its financial professionals **receive an ongoing fee from its bank partner of up to 0.50% of the outstanding loan balance**
Liquidate Investment Assets in your D.A. Davidson Account(s)	• **No interest expenses in addition to brokerage commissions and/or advisory fees charged on assets** • **No exposure to market risk**	• Securities sold are s**ubject to applicable taxes** • Selling securities can **disrupt your investment objectives**	• Sales of securities in a brokerage account **generate commissions to D.A. Davidson and its financial professionals**
Non-Partner Bank Securities-Based Lending Relationship	• Allows you to **stay invested** in the market • Provides access to **liquidity** for short-term needs • **Prevents liquidation** of low-cost basis securities • Line of credit provides **flexibility** and access to funds for future cash needs • So long as there is enough equity in your non-qualified account(s), **no need to liquidate investments** to raise funds	• Market fluctuations may cause the value of your marketable securities (pledged as collateral) to decline, which could require you to **sell your securities or provide additional collateral** • **No relationship between D.A. Davidson and lender**, therefore financial professional cannot support lending questions or requests and have not vetted the provider • **Lenders set their own credit terms**, which frequently includes minimums, continuous verification of underwriting and credit worthiness • **Trading restrictions** on pledged account(s) • **Account withdrawals** permissible with lender approval only • **Interest expenses** (in addition to the commissions or fees being paid in your D.A. Davidson brokerage and advisory accounts) • **Not every asset type qualifies** as collateral for the line of credit	• Because you are not liquidating your D.A. Davidson accounts, D.A. Davidson and its financial professionals **continue to collect compensation on assets held in the account (brokerage commissions and/or advisory fees, as applicable)**

Important Information

Not a Call to Action

This material is for information and education purposes only and is not intended to be viewed or construed as investment advice or securities recommendations under securities laws. All information, education or general descriptions provided herein are designed to help you understand the factors that should generally be considered when evaluating the advisability or appropriateness of any transaction, service, or product. This material does not take into account your specific objectives or circumstances or suggest any specific course of action. Investment decisions should be made based on your own investment objectives and circumstances.

D.A. Davidson and its financial professionals do not provide recommendations to you regarding the Davidson Lending Program. Any discussions you have regarding the Davidson Lending Program are not reasonably intended to be viewed or construed as an individualized/personalized suggestion for you to take a particular course of action. D.A. Davidson and its financial professionals also do not provide legal or tax advice.

Securities and Investment Advisory Services offered through D.A. Davidson & Co., a Broker/ Dealer and SEC Registered Investment Advisor, Member FINRA/SIPC. Additional disclosures can be found at dadavidson.com/disclosures.

You should understand that the Securities Based Loan under the Davidson Lending Program ("Loan") is not offered by D.A. Davidson, but rather by an unaffiliated third-party bank (the "Loan Provider"). You should ask your financial professional how and if they will continue to monitor your pledged account(s) and how, and when, you will be notified if a collateral shortfall or other issue may impact your assets and the Loan.

Costs, Compensation and Conflicts of Interest for Davidson Lending Program

Interest Payment

You will pay interest on the outstanding balance of the Loan at a fixed or variable rate per your election. D.A. Davidson does not determine the interest rates for the Davidson Lending Program. They are determined by the Loan Provider. The interest rates are based on a benchmark rate, plus an applicable percentage that varies based on factors, such as the prevailing interest rate environment, the amount of the Loan or line of credit, a client's creditworthiness, and the aggregate assets in a client's D.A. Davidson accounts in the client's household ("relationship size"), as well as negotiations between the client and the Loan Provider. Rates are generally higher for smaller loans and relationship sizes and lower for larger loans and relationship sizes. The interest rate that will apply to your Loan will be set forth in the Loan agreement you enter into with the bank. You will pay interest to the Loan Provider directly. These payments are in addition to the fees charged in your brokerage and/or advisory accounts. If you elect a variable interest rate, the rate may change every day and may increase significantly. The debit in your account from the interest charged may be paid from redemptions, effectively reducing your cash or money fund balances. Interest payments may be rolled into the Loan balance, which, over time, can erode the value of your account, or increase your indebtedness. In addition, depending on the interest rate environment, if you have a money market fund or cash in your account, you may be paying more in interest for your Loan than you are earning on your money market or cash balance. You are responsible for covering any insufficiencies in your pledged account(s) that may occur as a result of the increased interest rates to bring your pledged account(s) to the account collateral maintenance requirements.

Your Account Is Collateral

Loans are secured by the investments and other assets in your non-qualified brokerage and/or advisory accounts with D.A. Davidson. The Loan Provider can demand repayment at any time and may require liquidation of some or all of the collateral in the account(s) to meet the loan requirements. The Loan Provider can sell (or direct D.A. Davidson to sell) your securities or other assets without contacting you, and the sale would be subject to the payment of standard fees and expenses associated with your account. Clients are not entitled to choose which securities or other assets in an account are liquidated or sold to meet such a call. Forced liquidation of assets in an account can affect your long-term investment strategies, result in adverse tax consequences, and impact the performance of the account and the ability of the financial professional to recommend securities for or manage the account. Depending on the magnitude of the impact, D.A. Davidson may choose to terminate its relationship with the client. Because the loans are secured by the investments and other assets in the client's accounts, the client will not be permitted to withdraw any of the assets in the account that is used as collateral for the loan without a collateral release.

D.A. Davidson and Financial Professional Role and Compensation

Clients should understand that any referral made by a D.A. Davidson financial professional is an ancillary account service and it is not intended to be, nor is it part of any brokerage or advisory service. The financial professional acts as an intermediary but does not act in a fiduciary capacity to the client when making such a referral and they will not provide advice or oversee any such lending arrangement. The Loan Provider will compensate D.A. Davidson. This compensation is calculated as a percentage of the client's outstanding loan balance. The Firm will share a percentage of this compensation with its financial professionals. These compensation arrangements create incentives for D.A. Davidson and its financial professionals, resulting in material conflicts of interest. D.A. Davidson and financial professionals have an incentive to recommend that clients obtain a securities-based loan from the Loan Provider over an alternative securities-based lending provider and rather than liquidating their holdings or using other sources of liquidity, maintain loan balances for longer periods of time and increase the amount of a loan. D.A. Davidson also has an incentive to make loans from the Loan Provider and to recommend that clients obtain loans from the Loan Provider that compensates

D.A. Davidson rather than from those that do not compensate D.A. Davidson. Your financial professional will benefit when you use the Davidson Lending Program because you would not liquidate assets in your account, which would diminish the assets held in the account and the potential fees and commissions that could be earned by your financial professional from holding or engaging in future transactions with those assets. For example, with a fee-based account, by encouraging clients to take out a Loan to fund a purchase or other financial need rather than liquidate securities, the Firm and financial professional will continue to earn fees on the full account value.

Risks of the Davidson Lending Program

Loss of Rights in the Account. Clients considering the Davidson Lending Program should understand that the Loan Provider will require a pledge of account(s) as collateral for extending financing. The Loan Provider may exercise certain rights and powers over the assets in the account(s), which will include a prohibition or limitation on your ability to trade or withdraw assets from the account. Without prior notice to you, the Loan Provider will also have the right to require additional collateral (a “maintenance call”) or the disposition and sale of assets in pledged account(s) to repay amounts owed to the Loan Provider (a “collateral call”). The Loan Provider may increase the account maintenance requirements at any time without notice, including the percentage of equity you must keep in your pledged account(s), which would require you to deposit additional securities or cash into your pledged account(s), or pay down the Loan. In addition, participation in the Davidson Lending Program may impact your estate planning as the agreement with the Loan Provider would be binding on your heirs and successors.

Variable Interest Rate Risk. If your Loan has a variable interest rate, a rise in interest rates generally will increase your total cost of borrowing under your line of credit.

Limited Use of Proceeds. Funds drawn from your Loan may be subject to restrictions on use. For instance, they may not be used to purchase securities.

Market Risk. Your pledged account(s) are required to maintain a certain value referred to as the account maintenance requirements, which are set by the Loan Provider in its sole discretion. Sufficient collateral must be maintained in your pledged account(s) to meet the account maintenance requirement and to take advances on your line of credit. If the market declines, the value of your collateral assets may also decline resulting in a need for you to deposit additional securities or cash into your pledged account(s) to meet the account maintenance requirements. This may result in additional assets of yours being tied up than originally anticipated. If the value of your pledged account(s) fall below the account maintenance requirements, the Loan Provider may issue a maintenance call, where they demand a partial or full repayment of your Loan. The Loan Provider may issue a maintenance call at any time. If you do not have the funds to meet the maintenance call, the Loan Provider may liquidate your assets, and may choose the securities that are to be sold. You can lose more funds than you deposit in your pledged account(s). Your borrowing limit will fluctuate based on changes to the securities in your pledged account(s) and on changes in the market value. You should also consider whether your pledged account(s) are sufficiently diversified. The value of an account that is heavily concentrated in one particular stock or sector may, due to a single market event, drop drastically and trigger a maintenance call. You may be forced to liquidate your assets at the bottom of the market. Other assets may be more appropriate to serve as collateral for the Loan, and without terms that allow the Loan Provider to liquidate them at a moment’s notice. You should also consider when deciding to pursue the Davidson Lending Program whether it is appropriate to take out the maximum credit line offered to you. There are no guarantees the value of your assets will not decline. The value of your holdings is always changing, so you cannot assume that the price today will be the price tomorrow.

Tax Implications. You may be subject to adverse tax consequences if your pledged securities are sold for any reason, including for account maintenance requirements. If you or the Loan Provider liquidates securities to maintain collateral at a sufficient level to support your Loan, you could owe capital gains taxes on the proceeds from these sales, depending on your cost basis in the securities sold and other factors affecting your tax status. You should consult with your tax advisor to understand all tax implications before opening the Loan.

Limitations on Your Account. Only certain eligible securities in your pledged account(s) qualify as collateral for you Loan. The Loan Provider may decide that a security that was previously eligible as collateral for a Loan is no longer eligible without prior notice to you. The Loan Provider could require additional collateral (a “maintenance call”) or the disposition and sale of assets in pledged account(s) to repay amounts owed to the Loan Provider (a “collateral call”). The Loan Provider may increase the account maintenance requirements at any time without notice, including the percentage of equity you must keep in your pledged account(s), which would require you to deposit additional securities or cash into your pledged account(s), or pay down the Loan. If this happens, your credit limit may be adjusted to reflect the change, possibly leaving you with less money to borrow than you planned for. Certain newly issued securities, such as mutual funds, require a waiting period of 30 days before they can become eligible as collateral for the Loan. Therefore, frequent and/or large trades in mutual funds and other newly issued securities could limit the amount of your pledged account(s) that is eligible to be held as collateral and may increase the likelihood of a maintenance call. Loan proceeds received from the Davidson Lending Program can only be used for non-investment purposes. Loan proceeds cannot be used for the purchase of equities, bonds, or mutual funds. The assets in your pledged account(s) are subject to a control agreement which gives the Loan Provider the right to control the assets and the power to sell some or all of your assets to meet maintenance calls or demand notices. You should review the terms of the control agreement carefully. The Loan Provider may freeze activity in your pledged account(s), which would prevent interest or dividend distributions in certain situations including if your account is in a maintenance call. Certain services, such as check writing services, may not be an available option on your pledged account(s). Other than for interest, dividend payments, trading fees, commissions and investment advisory fees, you may not be able to remove some or any assets from your pledged account(s) without the Loan Provider’s approval. If you pledge securities that typically generate dividend payments, you should determine whether those payments will be credited to your loan balance and what, if any, circumstances will cause ownership of your holdings to change. In addition, you should be aware that it is challenging to move your pledged account(s) to a new broker-dealer while a loan is outstanding, and if you want to move your pledged account(s) to a new broker-dealer, you will likely have to pay off the Loan in full.