Certificates of Deposit (CDs) Investing:
Important Disclosures for D.A. Davidson & Co. Clients

The following is important information regarding certificates of deposit (“CDs”), including information about the compensation that D.A. Davidson & Co. (“D.A. Davidson”) and our financial professionals (together, “we,” “us” or “our”) receive for buying and selling CDs, and the conflicts of interest those payments create.

If you have any questions about any of the topics discussed below, or CD investing generally, we encourage you to reach out to your D.A. Davidson financial professional.

Overview of CDs

CDs are issued by banks, as well as savings and loan associations (together, “banks”). The amount invested in a CD is deposited with the issuing bank, which agrees to pay a stated rate of interest for a specific period of time, and to return the investor’s money at the end of the CD’s life (the “maturity”). CD maturities range from very short terms of one month all the way up to 15-20 years or more. Some CDs have “call” features, which allow the bank to redeem the CD prior to maturity at a set price.

CDs are a type of fixed-income (debt) investment, similar in some ways to bonds. And like bonds, CDs carry some “Credit Risk,” meaning that the issuer (the bank) could default and be unable to pay interest and principal owed when due.

However, as CDs are bank deposits and not securities, there are some important differences. In particular, for each bank that is a member of the Federal Deposit Insurance Corporation (FDIC), FDIC insurance covers the deposits of each depositor of the bank up to $250,000. FDIC insurance is designed to significantly reduce the “Credit Risk” of CDs and other bank deposits. All CDs that we recommend and sell to clients are from FDIC-insured banks.

It is important for you to understand that the $250,000 “per bank, per depositor” FDIC insurance limit includes not only CDs, but also other deposits that you may maintain at that bank such as checking and savings accounts, negotiable order of withdrawal (NOW) accounts and money market deposit accounts (MMDAs), as well as cashier’s checks and money orders. So, to ensure full FDIC insurance coverage for all of your CDs and other bank deposits, it is necessary for you to manage the total amount of money you have deposited at each bank.

Generally, CDs are most appropriate for investors who value FDIC insurance to reduce the risk of loss, wish to receive a set rate of interest that is higher than the interest generally paid on other insured bank deposits (for example, savings accounts), and are willing to hold the CD for its full maturity.

Many CDs do allow investors to redeem early, subject to an early redemption fee or penalty. Or, if you need your funds from a CD before it matures, D.A. Davidson can assist you by selling your CD on the secondary market to another investor, or possibly by buying it from you. In that case, there will be no redemption fees or penalties, but depending on the sale price, it is possible that you will receive less than the amount you paid for the CD.

If your D.A. Davidson financial professional recommends CDs for your account, he or she will discuss the terms of the specific CDs, as well as any fees and costs, with you.
CDs – Our Compensation and Conflicts of Interest

**CDs in Brokerage Accounts.** The compensation we receive for buying and selling CDs on your behalf (or to/from you) depends on the specific circumstances.

In some cases, D.A. Davidson sells newly-issued CDs on the primary market. These sales are “principal” trades, because we are effectively selling CDs to you from our own inventory. For these sales, D.A. Davidson will typically charge an underwriting discount to compensate the Firm for its role as underwrite and is usually between 0.35% and 2.0%. However, only a portion of this underwriting discount (typically 20% to 30%) is taken into account when determining your financial professional’s compensation for selling you the CDs.

If your D.A. Davidson financial professional recommends that you buy a CD from D.A. Davidson on the primary market, you will be provided with more detailed information about all of the compensation D.A. Davidson would receive.

On the secondary market, we can also buy or sell previously-issued CDs on your behalf as your agent (broker), where the other party to the trade is a third-party investor. In addition, in some cases we may buy previously-issued CDs for our own account from you, or sell them from our inventory to you, on the secondary market (which are principal trades). For secondary market purchases or sales of CDs, D.A. Davidson charges “mark-ups” (from the prevailing market price) when CDs are purchased, and “mark-downs” when CDs are sold, within your brokerage account. Mark-ups and mark-downs are generally equivalent to brokerage commissions, meaning they are taken out of the transaction proceeds. Again, a percentage of those mark-ups and mark-downs are paid by D.A. Davidson to your financial professional, according to his or her “production” and our commission grid.

The maximum mark-ups and mark-downs we charge on secondary market purchases and sales of CDs are determined according to maturity, under our general fixed-income pricing policy. This means the rates are generally the same as for bonds, Treasuries, TIPS, municipal bonds and other fixed-income products with the same maturity. Please note that these rates are current as of the effective date set forth on the last page of this disclosure, and D.A Davidson reserves the right to change these mark-up and mark-down rates at any time:

**For secondary market (previously-issued) CD transactions:**

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Maximum Mark-Up on Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one (1) year</td>
<td>0.250%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>1.125%</td>
</tr>
<tr>
<td>3-5 years</td>
<td>1.875%</td>
</tr>
<tr>
<td>6-14 years</td>
<td>2.250%</td>
</tr>
<tr>
<td>15 years &amp; longer</td>
<td>2.500%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Maximum Mark-Down on Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one (1) year</td>
<td>0.250%</td>
</tr>
<tr>
<td>1-2 years</td>
<td>0.625%</td>
</tr>
<tr>
<td>3-5 years</td>
<td>0.875%</td>
</tr>
<tr>
<td>6 years &amp; longer</td>
<td>1.000%</td>
</tr>
</tbody>
</table>

These “commission-equivalent” payments (mark-ups, mark-downs and similar payments) create conflicts of interest for us. In particular:

- **Primary/Principal Trades of CDs.** In many cases, we receive more total compensation and other benefits for principal trades of CDs (including selling newly-issued CDs to investors on the primary market) than we receive for secondary market trades. When we distribute newly-issued CDs on the primary market, we take on the risk of distribution, meaning we may lose money if our distribution efforts fail. These issues create incentives for us to recommend CDs that we trade on a principal basis, including newly-issued CDs we sell on the primary market.
Volume of CD Trades. We receive compensation for each purchase or sale of CDs that occurs in your brokerage account. This creates an incentive for us to recommend that you trade frequently.

Differential Compensation - Different CD Maturities. The compensation we receive in connection with buying or selling any particular CD for your account depends on its maturity. This creates an incentive for us to recommend CDs with longer maturities, for which we will receive larger mark-ups and mark-downs.

Differential Compensation - CDs vs. Other Investments. The compensation we receive for buying and selling CDs on your behalf (or to/from you), will be more or less than we would receive for buying and selling different investments, such as bonds, mutual funds or other products. This creates an incentive for us to recommend investments that pay us more compensation over those that pay us less compensation, or no compensation.

To help manage these conflicts, D.A. Davidson has policies and procedures in place that prohibit our financial professionals from recommending a volume of trading (as to frequency, amount or both) that is excessive under the circumstances, as well as systems to help identify situations where this could be occurring. Recommending excessive trading volume in order to increase transaction-based charges is an abusive practice sometimes referred to as “churning.”

D.A. Davidson charges the same maximum mark-ups and mark-downs for CDs of a particular maturity. This is intended to help mitigate the financial incentives that D.A. Davidson and our financial professionals have to recommend particular CDs over others.

We also charge the same maximum mark-ups and mark-downs for CDs as for other fixed-income investments (i.e., bonds). This is intended to help mitigate the financial incentives that D.A. Davidson and our financial professionals have to recommend CDs over bonds, or vice versa.

D.A. Davidson is not affiliated with any bank whose CDs we recommend and sell to clients.

In short, there are conflicts between our interests and those of our brokerage clients relating to CD investments (and the other investments we make available to our brokerage clients). The policies summarized above, among others, are intended to help mitigate those conflicts.

CDs in Advisory Accounts. Neither D.A. Davidson nor our financial professionals receive any mark-ups or mark-downs, as described above, on CDs purchased through our wrap fee programs or other investment advisory accounts (accounts in which the client pays an asset-based fee, as opposed to commissions and other amounts that apply to each transaction). The value of CDs in an advisory account, like the value of other securities held in the account, is included in determining the asset-based fee.

If you have questions about the compensation D.A. Davidson or your D.A. Davidson financial professional receives from the sale of CDs, please contact your D.A. Davidson financial professional.

CDs – Primary Risks

CDs from FDIC-insured banks are relatively conservative investments. But like virtually all investments, CDs carry at least some risks. The risks associated with a particular CD will depend on a number of factors, including its maturity and the issuing bank. This discussion is not comprehensive, and we encourage you to discuss the risks associated with CD investments with your D.A. Davidson financial professional.

However, below are some examples of the most material risks associated with (i) CD investing generally, and (ii) with investments in certain CDs:

Risks of CD Investments Generally (all CDs):

- **Credit Risk** is the risk that issuer or guarantor of a fixed-income security will be unwilling or unable to meet it obligations to pay interest and/or principal when due, for example due to the issuer’s bankruptcy or insolvency.
All CDs that we recommend and sell to clients are from FDIC-insured banks. FDIC insurance is intended to significantly reduce any Credit Risk associated with a CD.

- **Interest Rate Risk** is the risk that the value of fixed-income investments will decline because of rising interest rates. The magnitude of this decline will often be greater for longer-term fixed-income securities than shorter-term fixed-income securities.

- **Real Interest Rate Risk (or Inflation Risk)** is the risk that the real rate of return paid on fixed-income investments will be less than the nominal return due to the effect of inflation.

- **Reinvestment Risk** is the risk that, in a declining interest rate environment, investors holding fixed-income investments may have to reinvest proceeds in other investments that do not pay comparable levels of income to those of the redeemed or called investments. This can lead either to a reduction in cash flows or the need to reinvest in investments having a higher credit (default) risk.

**Risks of CD Investments – Selling CDs on the Secondary Market:**

- **Liquidity Risk** is the risk that certain investments will not be sufficiently marketable to be sold (liquidated) within a short time frame without incurring a loss in value.

**Risks of CD Investments – CDs with “Call” Features:**

- **Prepayment Risk (or Call Risk)** is the risk that the issuer of fixed-income investments will exercise its right to prepay its obligations prior to maturity, which can result in a decreased rate of return and a decline in value of those investments.

If you have any further questions, please do not hesitate to ask your D.A. Davidson financial professional. More information about investing in CDs, which we strongly encourage you to read, is also available from the U.S. Securities and Exchange Commission (SEC) at sec.gov.

June 30, 2020