Exchange-Traded Note (ETN) Investing:
Important Disclosures for D.A. Davidson & Co. Clients

D.A. Davidson & Co. member SIPC

The following is important information regarding exchange-traded notes ("ETNs"), 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 ETNs, and the conflicts of interest those payments create.

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

Overview of ETNs

ETNs are a type of debt security issued by certain financial institutions. They are similar in some ways to bonds. However, there are some important differences. Unlike most bonds and other debt securities, the promised returns on ETNs are not fixed rates of interest. Rather, an ETN's promised return will be linked to the performance of an index or some other market benchmark. When you buy an ETN, the issuer agrees to pay you the value of the index or other benchmark (in other words, your investment amount adjusted by the index/benchmark return), minus any fees, at the ETN's maturity. ETNs are a type of "unsecured" debt. In other words, the issuer's promise to pay is backed up only by its general credit, not by any specific collateral or assets of the issuer.

ETNs trade on exchanges, but do not actually own or hold any underlying securities and do not pay regular distributions to investors.

ETNs are intended to allow investors access to markets and indices in which it would be more difficult and more expensive to invest through actual ownership of securities or other assets (i.e., within those markets or indices). Generally, the returns on ETNs are able to closely track the performance of the target indices and other benchmarks.

However, it is important to understand that investing in ETNs means that you take on **both** the risks associated with their markets and indices, and the credit risk (default risk) associated with their issuers. You can lose money on an ETN if the index or other benchmark decreases in value. Because some indices and markets are more volatile than others, some ETNs will likewise be more volatile than others.

Leveraged ETNs will increase and decline in value faster than the indices and other benchmarks they track. Regardless of any other factors, if the financial institution that issues an ETN becomes bankrupt or insolvent, it is likely that investors will lose substantially all of their amounts invested.

You can sell ETNs prior to maturity on the secondary market. However, it is possible that the sale price may be less than the price you originally paid for the ETN. The secondary trading market for some ETNs will be thinner than others. Generally speaking, the less frequently a particular ETN is traded, the more likely it is that you will not be able to sell it quickly without incurring losses on the sale.

If your D.A. Davidson financial professional recommends an ETN for your account, you will be provided with a prospectus for the ETN, and he or she will discuss the fees and costs, strategies and primary risks with you.

ETNs – Our Compensation and Conflicts of Interest

ETNs in Brokerage Accounts. D.A. Davidson trades ETNs on the secondary market and charges your brokerage account a commissions when ETNs are bought and sold based on the principal amount of the ETN you buy or sell. The commission rates we charge on ETN trades are provided below. A percentage of those brokerage commissions are paid by D.A. Davidson to your financial professional, according to his or her "production" and our commission grid.

These commission rates are also subject to our small trade/discounting policies described in further detail in our Regulation Best Interest Disclosure. 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 commission rates at any time:

Trade Principal (Amount)	Commission Rate (%)
First $5,000	2.95%
Next $5,000 ($5,000.01 - $10,000)	2.10%
Next $5,000 ($10,000.01 - $15,000)	1.80%

Next $10,000 ($15,000.01 - $25,000)	1.60%
Next $25,000 ($25,000.01 - $50,000)	1.20%
Next $50,000 ($50,000.01 - $100,000)	0.85%
All additional amounts (above $100,000)	0.70%

These payments (brokerage commissions) create conflicts of interest for us. In particular:

- **Volume and Size of ETN Trades.** Because we charge brokerage commissions for each trade, we have a financial incentive to recommend that you buy and sell ETNs frequently. Likewise, the amount of the commission we will receive for a particular ETN purchase or sale will increase the larger the trade is. This means that we have a financial incentive to recommend larger trades over smaller trades. On the other hand, even though our total commission amount increases with the size of each trade, the incremental commission rate (in other words, the percentage rate charged for a portion of the trade) decreases. So, we have a financial incentive to recommend higher numbers of smaller trades over fewer numbers of larger trades.
- **Differential Compensation (ETNs vs. Other Investments).** The compensation we receive for buying and selling ETNs will be more or less than we would receive for 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 the conflicts related to volume and size of ETN trades, 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 brokerage commissions is an abusive practice sometimes referred to as “churning.”

To help manage the conflicts related to recommending ETNs over certain other investments that trade in the same manner, we charge the same commission rates for purchases and sales of ETNs as for other exchange-traded investments, including individual equities (stocks), ETFs, traded REITs and closed-end funds. Likewise, D.A Davidson charges the same commission rates for all ETNs we offer.

D.A. Davidson does not sponsor, issue or manage any ETNs.

Finally, D.A. Davidson generally does not solicit or recommend leveraged, inverse and leveraged inverse ETNs to our clients, with limited exception.

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

ETNs in Advisory Accounts. Neither D.A. Davidson nor our financial professionals receive any commissions, as described above, on ETNs 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 ETNs in an advisory account, like the value of other securities held in the account, is included in determining the asset-based fee.

Gratuities and Other Compensation from ETN Issuers. Certain financial institutions who issue ETNs contribute to or reimburse D.A. Davidson for the cost of educational and marketing events we hold for our clients and financial professionals. At these events, ETN investing, and the specific ETNs issued by those institutions, are usually discussed. ETN issuers also pay for travel, meals, entertainment and attendance at conferences, training events and due diligence trips for our financial professionals. This creates an incentive for us to recommend ETNs of issuers who provide higher amounts of reimbursements and other payments over those who pay lower amounts, or none.

These types of expense reimbursements and other payments are subject to an internal approval process at D.A. Davidson, and are not paid directly to our financial professionals. And, unlike brokerage commissions, these payments are not tied to specific ETN purchases and sales. However, we receive more compensation and reimbursements of these types from some ETN issuers than others. Generally, the more of a particular issuer’s ETNs we sell, the greater amounts of such payments we are likely to receive.

If you have questions about the compensation D.A. Davidson or your D.A. Davidson financial professional receives from buying and selling ETNs, please contact your D.A. Davidson financial professional.

ETNs – Primary Risks

ETNs, like virtually all investments, carry certain risks. The risks associated with a particular ETN will relate both to the index or other market(s) it tracks, as well as the creditworthiness of its issuer. Because there are many differences between ETNs and the various indices and markets they track, the potential categories of primary risks are extremely broad. **Therefore, this discussion is not comprehensive, and we strongly encourage you to discuss the risks associated with ETN investments with your D.A. Davidson financial professional.**

However, below are some examples of the most material risks associated with (i) ETN investing generally, and (ii) with investments in certain ETNs.

Also, and as noted above, remember that when you invest in an ETN, you take on both the risks associated with their markets and indices, and the credit risk (default risk) associated with their issuers. So, in addition to the risks summarized below, for a particular ETN you should also understand the risks of its market or index – for example, if you buy an ETN that tracks a commodity index, you should understand the risks associated with the commodity markets.

Risks of ETN Investments Generally (all ETNs):

- **Credit Risk (or Default Risk)** is the risk that the sponsor of the ETN will default on its obligations, for example due to its bankruptcy or insolvency.
- **Liquidity Risk** is the risk that certain ETNs will not be sufficiently marketable to be sold (liquidated) within a short time frame without incurring a loss in value.
- **Market Risk** is the risk that the value of investments may decline, at times sharply and unpredictably, because of economic changes or other events that affect individual companies or large portions of the market.

Risks of Leveraged ETNs:

- **Leverage Risk** is the risk that using leverage (borrowing or synthetic borrowing) to multiply exposure to particular investments or markets, with the goal of multiplying returns, will also multiply losses. Leveraged investments will lose more money from downturns than unleveraged investments. The greater the leverage rate (2x, 3x), the greater the risk. As noted above, D.A. Davidson does not recommend leveraged ETNs to clients very often.

Risks of Callable ETNs:

- **Prepayment Risk (or Call Risk)** is the risk that the sponsor of the ETN 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.

Risks of Sector/Industry-Tracking ETNs:

- **Sector Risk** is the risk that investments in a particular sector or industry will lose substantial value or default due to a downturn in that sector/industry, even if the investments are in well-managed companies.

Information on a specific ETN and its policies regarding the above topics can be found in the prospectus available from the ETN's issuer, which we strongly encourage you to read.

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

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