Regulation Best Interest Disclosures

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1. Important Information About This Disclosure

As a valued retail client of D.A. Davidson & Co. ("D.A. Davidson" or "we" or our "Firm"), we are providing you with this Regulation Best Interest Disclosure ("Reg BI Disclosure") to help you better understand the services we offer and our relationship with you.

Among other things, this Reg BI Disclosure addresses the:

- **scope and terms** of our relationship with you,
- **capacity** in which we are acting,
- **type and scope** of our brokerage services,
- **material limitations** on our brokerage services,
- **conflicts of interest** that our Firm and our financial professionals have when we recommend investments to you as your broker, and
- **fees and costs** associated with your account(s), holdings and transactions.

In order to help you get the most value out of this Reg BI Disclosure, we encourage you to read it carefully along with our Firm’s Form CRS – Client Relationship Summary ("Form CRS"), which is available at dadavidson.com/Disclosures. Also, this Reg BI Disclosure describes a number of sources of additional information, along with details on how you can access them, and we encourage you to refer to them.

Likewise, it is important to understand when, and how, the discussions in this Reg BI Disclosure apply to you:

- First, this Reg BI Disclosure applies only on and after the effective date listed on the cover page. This is the case even if you received it before the effective date.
- Second, this Reg BI Disclosure generally applies only to our brokerage services. Specifically, in Section 2.1 below we explain the distinction between the services we offer in a broker-dealer (brokerage) capacity, and the services we offer in an investment adviser (investment advisory) capacity. Other than that limited summary of our investment advisory services, this Reg BI Disclosure applies only to services we provide as a broker-dealer.
- Third, this Reg BI Disclosure applies only to D.A. Davidson’s relationships with our “retail clients” – essentially, this term means individuals (including their legal representatives) to whom we provide investment recommendations that are used primarily for personal, family, or household purposes.¹ The investments and services we offer to retail clients are sometimes referred to as our “Wealth Management” platform. You are not a retail client if you are acting in a professional, corporate, or in certain circumstances a fiduciary capacity to an employer sponsored benefit plan.

Where we provide investment recommendations and other services to, or on behalf of, other types of investors (for example, foundations or other institutional account holders, corporations, pension plan trustees, etc.), these relationships will be subject to different rules.

2. Scope and Terms of Our Relationship with You

D.A. Davidson is registered with the Securities and Exchange Commission (the “SEC”) as both a broker-dealer and an investment adviser. Our brokerage and investment advisory services and fees differ, and it is important for you to understand the differences. Free and simple tools are available for you to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing.

Depending on your financial circumstances and needs, and certain other factors, you may choose our Firm’s brokerage services, investment advisory services, or both. There are important differences between brokerage and advisory services, including their costs, the specific services we provide, and the rules that govern them. You should carefully consider these differences when deciding which type(s) of services and accounts are right for you. Information regarding the differences between our brokerage and advisory services is also provided in our Form CRS.

2.1. Our Capacity

All recommendations made by D.A. Davidson and your D.A. Davidson financial professional regarding your broker-dealer account(s) (your brokerage account[s]) will be made in a broker-dealer capacity, and all recommendations regarding your investment advisory account(s) (your advisory account[s]) will be made in an investment adviser capacity. The primary differences are summarized below.

If you have a brokerage account and an advisory account with D.A. Davidson, and your financial professional makes investment recommendations to you with respect to both accounts, he or she will explain to you orally whether a particular recommendation is for

¹ The Securities and Exchange Commission (the “SEC”) uses the term “retail customers” to define the types of investors to which its Regulation Best Interest (or “Reg BI”) applies. As used in this Reg BI Disclosure, “retail client” means the same thing as the SEC’s term “retail customer.” The types of investment recommendations that are subject to Reg BI are limited to those involving securities transactions and investment strategies involving securities (including account recommendations).
your brokerage account, your advisory account, or both (unless it is clear under the circumstances to which account the recommendation applies). Your financial professional will explain this at the time the recommendation is made. The fact that you have an advisory account does not mean that D.A. Davidson has fiduciary obligations to you when providing brokerage services or handling your brokerage accounts.

Also, please note that while most of our individual financial professionals are licensed to provide recommendations and services both in a brokerage capacity and an investment advisory capacity, some of our financial professionals are able to offer only brokerage accounts and services. If this applies to your D.A. Davidson financial professional, he or she would not be able to act in an investment advisory capacity. If your financial professional is limited to offering brokerage accounts and services only, he or she will disclose this limitation by providing you with a supplemental disclosure at the outset of your relationship with us, and before making any initial recommendation(s) to you.

**Broker-Dealer Capacity**

In our capacity as a broker-dealer, we can make recommendations to you about buying, selling and holding securities, and effect purchases and sales of securities on your behalf (for your brokerage account). We can also provide research and information about investments, financial education, and custody of assets, along with certain other supporting services. When we act in our capacity as a broker-dealer, we are paid for our services through commissions and other transaction-based charges.

We offer several different options and account types for your brokerage account(s), including standard brokerage accounts held with D.A. Davidson as the custodian; accounts held directly with the issuer of the securities purchased, such as a fund company (sometimes referred to as “directly held” mutual fund accounts); education accounts (for example, college savings plans), which are typically “directly held” accounts; and retirement accounts (for example, individual retirement accounts or “IRA”s”) where your investments are held with D.A. Davidson as the custodian.

We do not have any minimum account or investment requirements for our brokerage accounts, but some of the investments you can purchase through us have minimum investment requirements. More information about these minimum investment requirements is available in the investment’s offering document or prospectus.

Within brokerage accounts, our Firm and financial professionals do not make investment decisions for you or manage your investments on a “discretionary” basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your brokerage account without first obtaining your consent. Generally, you will need to consent separately to each trade, unless you have set up a systematic purchase/ redemption program (for example, to invest in certain mutual funds), in which case you do not have to consent separately to each contribution or redemption payment – they will occur automatically according to your instructions. Another example is a dividend reinvestment program, where you elect ahead of time to apply all dividends to purchasing new shares.

Our financial professionals may recommend investments to you, but you are solely responsible for making the ultimate decision whether to purchase or sell (or hold) investments, and we will only purchase or sell investments when specifically directed by you.

Our Firm and financial professionals also do not monitor your brokerage account after an investment is purchased (or the performance of the investment), including those investments we recommend for you. Periodically, we may voluntarily review those investments to determine whether to provide additional information and/or recommendations. But in all cases, you are responsible for deciding whether to continue holding investments in your account.

When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations and rulemaking bodies such as the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Municipal Securities Rulemaking Board (“MSRB”) (with respect to municipal bonds, as well as 529 plans (college savings plans), which are considered municipal fund securities), as well as applicable state laws. And, under Reg BI, our Firm and financial professionals are obligated to act in your best interest and not put our interests ahead of yours when we recommend securities transactions, or investment strategies involving securities (including account recommendations), to you.

**Investment Adviser Capacity**

As an investment adviser, we provide investment advice to you for an advisory fee (rather than commissions and other transaction-based charges). Our Firm’s advisory fees are usually based on a percentage of your advisory assets with us and are typically paid quarterly. Our primary investment advisory services include discretionary and non-discretionary “wrap fee” programs (where we or another firm within our programs acts as your investment adviser/asset manager, and we also provide brokerage services such as trade execution and custody, for a single “wrap” fee); financial planning services for a distinct fee; and advice for self-directed 401(k) and similar retirement plan investments. Where we provide investment advice for a fee with respect to retirement plan or other specific investments, we may also place trade orders for you as your investment adviser through a brokerage account with us or another broker-dealer.

When we act in our capacity as an investment adviser, we will do so pursuant to a written agreement with you that sets forth the investment advisory relationship and our obligations to you. When we act as an investment adviser to you, we are generally considered to have a fiduciary relationship with you under the Investment Advisers Act of 1940, which requires that we owe you a duty of care and a duty of loyalty.

At the outset of our investment advisory relationship with you, you will also receive a disclosure document that describes our investment advisory services and includes important information about, among other things, our fees, personnel, other business activities, and
conflicts between our interests and your interests. This disclosure document, our Form ADV, Part 2A brochure, is available at dadavidson.com/Disclosures.

### Individual Financial Professional Designations

In some cases, your D.A. Davidson financial professional may hold one or more professional designations, which are often denoted by letters following his or her last name in written materials, or otherwise. For example, in written or oral communications your financial professional might have indicated to you that he or she is a “CWS®” (Certified Wealth Strategist®) or a “CFA®” (Chartered Financial Analyst®), or holds some other similar designation. These designations are issued by private organizations having no affiliation whatsoever with our Firm or any securities regulator. It is important for you to understand that they are different from the legal capacities (broker-dealer vs. investment adviser) described above, and your financial professional's securities licensing (for example, Series 7, Series 65, etc.).

As a Firm, D.A. Davidson does not generally prohibit our financial professionals from holding such designations or communicating them to clients, as long as we believe the designation imposes bona fide education and similar requirements. To that end, we maintain a list of approved designations that may be used by financial professionals. However, it is important for you to understand that these designations apply solely to those individuals who hold them, and not to our Firm or our other financial professionals. As your broker, D.A Davidson’s obligations to you are set forth solely by applicable laws, and rules established by such regulatory bodies as the SEC and FINRA. D.A. Davidson expressly disclaims any responsibility or intent to follow, any and all rules or standards imposed (or claimed to be imposed) by private, unaffiliated organizations on the individuals who hold their professional designations.

### 2.2. Type and Scope of Services

#### Brokerage Services

Your financial professional can make recommendations to you about buying, selling and holding securities (including investment funds and products), and we effect purchases and sales of securities on your behalf (for your brokerage account). We can also provide research and information about investments, financial education, and custody of assets, along with certain other supporting services.

We offer an account feature to have uninvested cash in your brokerage account “swept” automatically into accounts with various third-party banks that are insured by the Federal Deposit Insurance Corporation (“FDIC”). This feature is referred to as a “cash management program.” Please note that, if you participate in our cash management program, this does not mean that you will have bank accounts in your name from which you can access the funds (other than through D.A. Davidson). Our cash management program is described in more detail in our Cash Management Program Disclosure Statement, which is available at dadavidson.com/Disclosures.

In some cases, an additional supporting service that we offer is margin lending. If you use this service, this means we will lend money to you to buy investments.

Our services also include recommendations of investment strategies involving securities, which includes recommendations of account types, and rollovers or transfers of assets, such as rolling over retirement plan assets into an IRA.

#### Account Types and Services

In order to use any of our brokerage services described above, you must first open an account with us. Our Wealth Management platform offers a number of account types with different features and benefits that are intended to address different needs and objectives of our retail clients. When opening an account with us, you may choose between several different options or account types for your brokerage account, including standard brokerage accounts held with D.A. Davidson as the custodian; accounts held directly with the issuer of the securities purchased; education accounts (for example, college savings plans), which are typically “directly held” accounts; and retirement accounts (for example, IRAs) where your investments are held with D.A. Davidson as the custodian.

Before deciding whether to open an account with us, you will want to discuss our account options with your financial professional to decide which option(s) best fit(s) your financial circumstances and needs.

#### Our Investment Philosophy

With respect to our Firm’s retail clients, we believe that there are different ways to achieve success as to important financial goals such as saving and investing for retirement, education and other needs. We believe that investing is, and should be, individualized, and so retail clients should be provided with meaningful choices about various products, services and approaches. Accordingly, on our Wealth Management platform, we recommend and provide services with respect to a broad range of securities and other investments. It is our view that both individual securities such as stocks and bonds, and investment funds and other “packaged” products, can play important roles in building appropriate portfolios from client-to-client.

It is not our philosophy or business model to limit the investments we make available to retail clients to a narrow menu of products or types, or only to proprietary products.

While we do not subscribe to any specific “play book” or prescriptive investment process across all of our retail client relationships, it is our Firm’s belief that there are certain fundamental principles that should be consistently observed. At the time one of our individual financial professionals provides recommendations to a retail client, the financial professional must have a reasonable basis to believe
that the recommendations are in the retail client's best interest, and must not place the financial professional's interests (or our Firm's interests) ahead of the retail client's interests.

And, in forming this reasonable belief, our financial professionals must take into account the potential risks, rewards, and costs associated with the recommendations he or she is making. This means that the retail client’s profile must be considered. For any particular retail client, his or her “profile” includes such information as age, financial circumstances and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that the retail client discloses to their financial professional or our Firm in connection with a recommendation.

Finally, while we believe in the merits of offering a broad menu of investment choices, we likewise believe it is appropriate to limit our product and service offerings in some respects. For example, while certain “alternative” investment products can provide opportunities for enhanced returns, additional diversification and risk hedging in appropriate cases, they may likewise present additional risks, costs and complexities. Similarly, certain types of option trading, investing on margin and other activities can increase a client’s risk profile significantly. In the interest of advancing the best interests of our retail client base generally, our Firm significantly limits our offerings of “alternative” and more complex products to help ensure appropriate vetting. We also place limitations on specific types of options trading, investing on margin (in other words, with borrowed money), and certain other activities that can lead to risk levels we believe are inappropriate for most retail clients.

In each case, the recommendations one of our financial professionals provides to his or her retail clients will reflect the Firm's fundamental principles listed above. The specific investments that one of our financial professionals will recommend to a particular retail client will reflect both the client's financial circumstances and needs, as well as the financial professional's personal experience and familiarity with different securities and other products.

2.2.1. Material Limitations

Our Firm and financial professionals provide a wide range of brokerage services. For example, while the range of products we offer in some categories are somewhat restricted, we do not limit our overall investment offerings to a narrow menu of products, strategies, asset classes or types. Likewise, we do not limit our investment offerings to proprietary products, or generally to securities from a select group of issuers. Finally, we do not generally impose minimum account or investment requirements in brokerage accounts, although some of the investments you can purchase through us have minimum investment requirements.

Notwithstanding the range of our brokerage services, there are certain material limitations on our services and the services of our financial professionals, which are set forth below.

- **No Account Monitoring.** As noted previously, our Firm and financial professionals do not monitor your account after effecting a securities transaction for you, including those investments our financial professionals recommend. Periodically, we may voluntarily review those investments to determine whether to provide additional recommendations. But while our financial professionals remain available to assist you, they do not monitor your account or your investment performance after effecting a securities transaction for you, or otherwise at any time. In all cases you are responsible for deciding whether to continue holding investments in your account. This is a material limitation on our services and the services of our financial professionals.

- **No Discretionary Investment Authority.** Our financial professionals do not make investment decisions for you or manage your brokerage account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your account without first obtaining your consent (in each case). Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only do so when specifically directed by you. This is a material limitation on our services and the services of our financial professionals.

- **Investment Limitations.** While we generally offer a wide range of investments, including investment funds and products, there are certain investments we do not offer. For instance, we do not offer every type of investment fund, insurance product or college savings plan. We also do not offer funds, insurance products and other products from every fund company or other issuer. This means that our financial professionals are limited to recommending only those investments that we are authorized to offer. This is a material limitation on the securities or investment strategies that our financial professionals may recommend to you.

- **Financial Professional Limitations.** Not all of our financial professionals can offer the full range of investments and services we offer. As noted previously, while most of our financial professionals are licensed to offer both brokerage and investment advisory services, some of our financial professionals are licensed to offer brokerage accounts and services only. If this limitation applies to your D.A. Davidson financial professional, we will disclose this to you in writing. In addition, some of our financial professionals are not licensed to recommend and sell certain products, such as insurance products. This is a material limitation on the securities or investment strategies that your financial professional may recommend to you, and you should discuss any such limitations with your financial professional. In addition, you may research your financial professional's experience and licenses at Investor.gov/CRS or on FINRA's BrokerCheck website at brokercheck.finra.org.

- **Certain Regulatory Restrictions.** Most of the investments we offer on our Wealth Management platform are available to all of our retail clients, but there are some exceptions. For example, before purchasing interests in most "alternative funds" such as hedge funds and private equity funds (which are "private placements") you may have to meet certain financial and other tests in order to qualify as an "accredited investor," a "qualified purchaser" and/or a "qualified client," depending on the specific fund and its requirements. Likewise, under FINRA rules, if you have certain associations within the financial services industry, you may be considered a "restricted person" who is prohibited from purchasing "new issue" securities through initial public offerings (IPOs), etc.
2.3. Fees and Costs, Generally

This section provides certain information about the material fees and costs associated with your account, transactions, and holdings. Because fees and costs vary depending on the specific transaction or service provided, Subsection 2.3.1 immediately below first describes the fees and service charges associated with your account, as reflected in our Fees and Service Charges schedule. Subsection 2.3.2 then provides a brief summary of the primary types of commissions and similar charges that are paid directly to us from your brokerage account when you buy and sell certain investments. Finally, Subsection 2.3.3 provides a brief summary of the primary types of sales commissions and other payments that we receive from certain investment and insurance products that you may buy within your brokerage account.

For more detail on the fees and costs associated with specific types of investments that our financial professionals may recommend (including both fees and costs that are paid to our Firm, and others that are not), please review the investment-specific discussions in Section 4 carefully.

2.3.1. Fees and Service Charges Associated with Your Account

With the exception of “directly held” accounts with mutual fund companies and other third parties, you generally must first open a brokerage account with us to use our brokerage services. Our Wealth Management group offers a number of account types with different features and benefits that are intended to address different needs and objectives of our retail clients. When opening an account with us, you may choose between several different options or account types for your brokerage account, including standard brokerage accounts held with D.A. Davidson as the custodian; directly held accounts; education accounts such as college savings plans (which are typically directly held); and retirement accounts such as IRAs, where your investments are held with D.A. Davidson as the custodian. The fees and service charges you will pay to D.A. Davidson will also depend on the specific services you elect to have us perform for you.

Depending on the type of account(s) you open, and the services and investment types you choose, you will pay certain fees and service charges associated with your account(s) and holdings. Described below are the material fees and service charges associated with your account(s), including why they are charged and the frequency with which they are charged. The fees and service charges described in this Subsection 2.3.1 are in addition to the payments described in Subsections 2.3.2 and 2.3.3 below (and in more detail in Section 4). The specific fee rates and amounts listed below are current as of the effective date of this Reg BI disclosure, and may change from time-to-time. We encourage you to discuss any questions you have about fees and service charges with your financial professional. Our financial professionals do not receive any compensation related to these fees and service charges.

- **IRA Maintenance Fee.** If we act as the custodian for your IRA, we will typically charge you an annual “IRA maintenance fee” for maintaining your IRA with us after the first year. This IRA maintenance fee compensates us for certain maintenance services that we provide to your brokerage account and reimburses us for certain operational expenses that we incur as the IRA custodian. **This fee is typically $60 per individual (per Social Security Number) for all IRAs you maintain with us, and is paid annually.** This fee does not apply during the first year in which we act as your IRA custodian. Certain accounts or households that qualify for the Firm’s Prestige Program (which is generally limited to investors having at least $500,000 with our Firm, and satisfying certain other requirements) may be eligible to have the annual IRA Maintenance fee waived.

- **Trade Processing (Handling) Fees.** We charge a processing fee for most securities trades, which compensates us for handling, postage and similar expenses we incur. **These fees are typically $6.85 per trade.**

- **Margin Fees.** When you purchase investments, you may pay for them in full, or you may borrow part of the purchase price from D.A. Davidson. If you choose to borrow funds in this manner, we will administer and facilitate the margin loan(s) according to the terms set forth in our margin loan agreement with you. We will charge you for our margin services. Margin fees, which are typically the interest associated with the margin loan(s), compensate us for the cost and risk of lending money to you, and our administrative services. **As of the date of this Reg BI Disclosure, margin interest rates range from 5.5% – 7.5% (on an annual basis) depending on your margin loan balance(s).** Certain accounts or households that qualify for the Firm’s Prestige Program may be eligible for a preferential margin rate. Current margin rates are posted on our Firm’s website.

- **Wire Transfer Fees.** We will charge you a one-time “wire transfer fee” each time you direct us to wire cash from your account to another account held outside our firm. **The wire transfer fee is typically $15 for each domestic wire transfer and $75 for each international wire transfer.**

- **Returned Check/Returned ACH Fees.** Absent unusual circumstances, we will typically charge a fee for any returned checks and automated clearing house (ACH) transfers, as well as to stop payment and re-issue a check. **The fee in each case is $25, and is charged once for each returned check/ACH transfer, and each check stop payment/re-issue.**

- **Bond Redemption Charges.** We will typically charge you $10 for a bond redemption where the bond is held in your name and delivered to our Firm for collection. **No charge for bond redemption typically applies for bonds held in “street name” – meaning held in our Firm’s name but on your behalf - so these charges often do not apply.**

- **Account Transfer Fees.** We will charge you a one-time, per account, “account transfer fee” to reimburse us for the costs associated with transferring your account to another financial institution. The account transfer fee includes fees associated with the Automated Client Account Transfer System, commonly referred to as the ACAT fee. **This fee is typically $100 and is paid when you initiate the transfer of your account to another broker-dealer. In addition, a $50 charge applies for each transfer of estate assets held in a client’s name.**
More Information
More information about the fees associated with your account(s) is available in the schedule of Fees and Service Charges, which is provided upon opening an account, and is also available on our website at dadavidson.com/Disclosures.

2.3.2. Summary of Commissions and Commission-Equivalent Charges You Pay to Our Firm for Certain Transactions and Holdings

Depending on the specific investments you choose, you will pay D.A. Davidson and our financial professionals directly through commissions and commission-equivalents charged directly to your brokerage account, or indirectly through payments from the investments you buy. In particular, the direct charges from your brokerage account may include:

- **Brokerage Commissions.** We will charge you a brokerage commission each time you buy or sell equities (stocks), exchange-traded funds (ETFs), exchange-traded notes (ETNs), or options in your account. We also charge a brokerage commission each time you buy or sell other investment products on the secondary market, such as closed-end funds and Real Estate Investment Trusts (REITs). “Secondary market” means that you are buying or selling shares of previously-issued investments, as opposed to “primary market” transactions where you buy “new issues” (newly-issued shares) directly.

- **Mark-Ups and Mark-Downs.** When you buy or sell certain other investments, including bonds and CDs, we typically charge your account a “mark-up” or “mark-down” adjustment from the market price, meaning we keep the difference as our fee. Mark-ups and mark-downs are also charged on other “principal” trades, meaning where you buy investments from our Firm, or sell investments to us, rather than a third party.

2.3.3. Summary of Sales Commissions and Other Revenues Paid to Our Firm as a Result of Your Transactions and Holdings

Depending on the specific investments you choose and your account holdings at D.A. Davidson, you may pay us indirectly through compensation we receive from third parties. In particular, these payments include:

- **Sales Commissions/Sales Charges and Trails.** Where we “distribute” (sell newly-issued shares of) mutual funds, Unit Investment Trusts (UITs), closed-end funds, REITs and alternative investment funds, instead of brokerage commissions we receive sales commissions or similar payments from the funds or their sponsors. For some, we only receive up-front sales commissions. For others, we also receive ongoing payments such as “trailing” commissions (or “12b-1 fees” from mutual funds) as long as you hold them. Insurance companies also pay us sales commissions and trails for selling annuities and other insurance products.

- **Recordkeeping/Shareholder Servicing Fees.** Investment funds, such as mutual funds and closed-end funds, charge ongoing fees that are embedded into their costs. Some of these fees are shared with D.A. Davidson, in exchange for sub-accounting and other services we provide, but these fees are not paid to our financial professionals directly.

- **Education and Marketing Support.** Some investment product sponsors contribute to or reimburse our Firm for the cost of educational and marketing events for our clients and financial professionals. Subject to approval by our Firm, others pay for travel, meals, entertainment and attendance at conferences, training events and due diligence trips for our financial professionals, but these payments are not made to our financial professionals directly.

- **Revenue Sharing.** In some cases, in addition to the above revenue categories, certain investment product issuers also share their revenues with D.A. Davidson, but as a Firm we generally do not pay our financial professionals any portion of these types of revenue sharing payments.

- **Payment for Order Flow.** Generally, the term “Payment for Order Flow” refers to payments that brokerage firms receive for routing clients’ investment buy and sell orders to other firms or market centers. D.A. Davidson does not accept cash payments in return for directing client order flow to particular institutions or market centers. However, as a Firm we sometimes accept discounts, rebates, reductions of fees or credits, which are generally based on the overall volume of trading activity that results from sending orders to particular market centers or exchanges. The value of these non-cash forms of benefit will not exceed the fees or expenses incurred for executing the order.

Most of these commissions and other fees are higher the larger the dollar amount of the trade or investment (or our overall volume of business with the provider) is. These payments create financial incentives for us to recommend that you trade (buy and sell) investments often, make large trades, and buy investment products that pay us higher commissions and other payments over those that pay us lower commissions and other payments.

Please note that the discussions in Subsections 2.3.2 and 2.3.3 above are not comprehensive. They are intended only for general reference purposes, and to help you better understand the discussion of conflicts of interest in Section 3 below. We recommend that, in connection with any investment or insurance product you are considering, you carefully review the investment-specific discussion in Section 4 of this Reg BI Disclosure, and the other sources of information described, such as the prospectus or offering document for the investment (where applicable), or other additional resources.

3. Conflicts of Interest

Like any financial services firm, D.A. Davidson has certain conflicts of interest (conflicts) that relate to the recommendations our Firm and our financial professionals make. For purposes of this Reg BI Disclosure, a conflict of interest essentially means an economic interest
that might provide an incentive for a broker-dealer firm or its financial professionals to make recommendations that are not in the best interest of their retail clients.

Some of these conflicts exist between the interests of retail clients and our Firm and financial professionals alike. Others exist between the interests of retail clients and our Firm alone, or between the interests of retail clients and financial professionals alone. The section below discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation we provide to you.

3.1. Conflicts for Both Our Firm and Financial Professionals

Conflicts between the interests of retail clients on one hand, and both our Firm and financial professionals on the other, can be caused by a variety of factors. They include the role we play in a transaction, the type of product purchased or sold, compensation arrangements, and trading arrangements. The material facts relating to these conflicts, including certain ways our Firm addresses and manages them, are described below:

- **Brokerage vs. Advisory Accounts.** Our Firm and our financial professionals typically both make more money when you select our investment advisory services over our brokerage services. This creates an incentive for us and your financial professional to recommend advisory services over brokerage services. Our Firm requires our financial professionals to consider a number of factors, such as the type and level of services required and the expected trading frequency, before recommending an account type to a retail client.

- **Frequency and Size of Trades/Additional Investments.** Our Firm and our financial professionals both make more money when you buy and sell securities frequently, buy and sell larger amounts of securities, and make new investments in funds and other products. In all of those cases, our Firm receives either brokerage commissions, mark-ups or mark-downs, sales charges, or similar payments. We receive these payments each time you trade or place a new investment. Likewise, the amount of the commission or other payment we will receive for a particular purchase or sale will increase the larger the trade is. Generally, 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) often decreases. So, in those cases, we have a financial incentive to recommend higher numbers of smaller trades over fewer numbers of larger trades. And, we pay each of our financial professionals a portion of these transaction-based payments that we receive in connection with the financial professional’s clients.

These transaction-based payments provide incentives for us and your financial professional to encourage you to trade more often, make larger trades (or more frequent smaller trades), and purchase additional investment products that result in additional revenue for our Firm and your financial professional.

Our Firm 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.

- **Sales Charges/Commissions and Other Third-Party Payments.** Our Firm and our financial professionals both make more money when you buy funds, variable products and other investment or insurance products that pay us higher sales charges and similar fees than others. These transaction-based payments provide incentives for us and your financial professional to encourage you to buy products that pay us higher sales charges/commissions over those that pay us lower sales charges/commissions. In addition to these transaction-based charges, we typically receive additional payments when you invest in mutual funds, UITs, closed-end funds, ETFs, college savings plans, and variable products. For example, certain investments make ongoing payments to us based on invested assets (and not just new investments) such as 12b-1 fees from mutual funds or trail compensation for annuities and insurance products. These third-party payments are described in detail in the prospectus or offering materials for the investment, which will be provided to you in connection with any purchase.

Again, we pay each of our financial professionals a portion of these payments that we receive in connection with the financial professional’s client transactions and holdings. Our Wealth Management product platform, along with a number of our pricing policies, are designed to help manage the size of compensation differentials from product to product (please see Section 4 of this Reg BI Disclosure for more detail). Just for example, to help manage conflicts relating to mutual fund recommendations, we limit the amounts of sales charges that are taken into account in determining our financial professionals’ compensation (please see the discussion of “Mutual Funds” under Subsection 4.5 for more detail). However, you should understand that both our Firm and our financial professionals receive more compensation for selling certain types of investments and insurance products than others. And in many cases, we receive more compensation for selling specific products within a single category than others.

- **Commission Rates.** When you trade securities on the secondary market, our Firm and our financial professionals both make more money when you buy and sell securities for which the rates of brokerage commissions charged directly to your account (or rates of mark-ups and mark-downs) are higher. To help address this conflict, under our Firm’s pricing policies we charge the same commission rates for secondary market transactions for all equities, REITs, ETFs, ETNs and closed-end funds. We also charge the same mark-up and mark-down rates for all fixed-income transactions – including all types of bonds and CDs alike – which usually trade over-the-counter (rather than on public exchanges). However, you should understand that we receive higher commission rates for buying and selling certain types of investments than others. Please see Section 4 of this Reg BI Disclosure for more detail.

- **Share Classes.** For investments with multi-share class structures, such as mutual funds, college savings plans, and variable annuities, over time our Firm and our financial professionals will typically receive higher amounts of compensation if you choose a share class that is more costly to you. Different share classes will pay us higher or lower up-front sales charges and similar payments on one hand, and higher or lower ongoing payments such as 12b-1 fees and trail compensation, on the other. Therefore, some share classes are generally more appropriate (in other words, less expensive) for longer-term investors, and others are generally
more appropriate for shorter-term investors. Our Firm has policies and procedures in place that require our financial professionals
to consider a client’s expected time horizon for an investment before recommending a particular share class. Also, we have
implemented and are carrying out our Class C Share Conversion Program to reduce the potential for investors to hold Class C shares
beyond the point where the ongoing costs of ownership can exceed Class A shares. Please see Section 4 of this Reg BI Disclosure
for more detail.

Please note, however, that where issuers have multi-share class structures, the lowest-cost share classes may not be available to
retail clients in many cases, due to high minimum investment amounts or account type requirements (e.g., a retirement account or
an advisory account). You can find more information about the compensation paid on different share classes in the prospectus for
the investment product, or by asking your financial professional.

- **Rollovers.** Our Firm and our financial professionals both make more money when you increase your assets with us, including
rollovers from workplace retirement plans into IRAs. When you engage in a rollover to an IRA, we will receive compensation in
connection with the investments you hold in your IRA, and we will pay a portion of that compensation to your financial professional.
These payments create an incentive for us and your financial professional to recommend rollovers. We provide investors who are
eligible to withdraw their benefits from workplace retirement plans with educational materials to help them determine whether or not
an IRA rollover would be advisable. Where our financial professionals make recommendations as to IRA rollovers, they typically
must first collect certain information about the fees, investments and services in the retirement plan, and compare the plan and IRA
based on a number of factors to determine whether an IRA rollover would be in the retail client’s best interests.

- **Brokerage Account Types and Services.** Within our various brokerage services and account types, our Firm and our financial
professionals both make more money when you select certain types of accounts over others, as well as certain additional services.
We can recommend that you invest through a number of brokerage account type arrangements, such as an account held at D.A.
Davidson or a directly-held account. We can also recommend additional services such as margin lending or options trading. In most
cases, our Firm will receive more compensation if you choose an account, and services, that are more costly to you. And, as
explained in more detail under Section 3.3 below, our financial professionals will generally receive more pay if our Firm receives
more compensation because you choose a more expensive account option, or more expensive services. This creates an incentive
for us and your financial professional to recommend certain account types over others, and additional services.

As noted under “Brokerage vs. Advisory Accounts” above, our Firm requires our financial professionals to consider a number of
factors, such as the type and level of services required and the expected trading frequency, before recommending an account type
to a retail client. This is intended to help ensure that our account type recommendations to you are reasonably expected to be cost-
effective choices in light of your investment services and needs. Likewise, our financial professionals do not receive additional
compensation based on certain revenues our Firm receives, such as margin interest and interest from banks that participate in our
cash management program.

- **Education and Marketing Support.** Some investment product sponsors contribute to or reimburse D.A. Davidson for the cost of
educational events and marketing events for our retail clients and financial professionals. Others pay for travel, meals, entertainment
and attendance at educational conferences, training events and due diligence trips for our financial professionals. These events
provide our financial professionals with additional opportunities to be educated about services and investments that can be offered
to existing and potential clients. Some of these events, which are hosted by D.A. Davidson for our financial professionals, are offered
in multiple tiers – this means that product sponsors pay different amounts and as a result receive different levels of benefits. For
example, these different benefits might include having their speaker at a main session versus a breakout session, a more prominent
display in the materials used in connection with the event, etc.

In addition to the above, D.A. Davidson financial professionals and other employees sometimes receive compensation from
investment product sponsors that is not in connection with any particular client. This compensation includes such items as gifts
valued at less than $100 annually, an occasional dinner or ticket to a sporting or entertainment event, or reimbursement in connection
with educational meetings, client events, or marketing or advertising initiatives, including services for identifying prospective clients.

These payments described above provide an incentive for our Firm and our financial professionals to recommend investment
products whose sponsors provide these additional support payments to us, and those who make higher support payments, than
others. Our Firm imposes an internal review and approval process to ensure that these payments are not unreasonably high (or
otherwise inappropriate) under the circumstances, and we do not permit these payments to be made directly to our financial
professionals. A list of the investment product sponsors who provide our Firm with payments and reimbursements in support of our education and marketing efforts (current as of the effective date of this Reg BI Disclosure) is furnished in
the attached Exhibit.

- **Underwriting and Similar Fees.** When D.A. Davidson acts as an underwriter to an IPO of stock, a corporate or municipal bond
offering, or other “primary market” sale of new issue securities, we receive underwriting fees, syndicate fees, and/or other similar
payments for these distribution services. This creates an incentive for our Firm to make available on our platform, and encourage
the purchase of, new issue securities for which we act as an underwriter, distributor or in a similar role. For purposes of determining
our financial professionals’ compensation, we credit them with a percentage (e.g., typically 60%) in the case of a stock) of underwriting
and similar compensation we receive as a Firm.

- **Referrals to Affiliates.** When our financial professionals refer clients to our affiliates, such as D.A. Davidson Trust Company (“DTC”)
or Davidson Investment Advisors, Inc. (“DIA”) to receive additional services, we receive more compensation (additional fees for the
additional services) than if a third-party service provider were selected instead. To help manage this conflict, for purposes of
determining our financial professionals’ compensation, they receive credit for less than 100% of the fees paid to these affiliates
through their referrals. Specifically, our financial professionals typically receive a 50% credit based on fees paid to DTC, or a 20-
70% credit (with the average being 40%) on fees paid to DIA. You as a client do not pay more for our affiliates’ services as a result
of the referral from your financial professional.
3.2. Conflicts for Our Firm Alone

Conflicts between the interests of retail clients on one hand, and our Firm (but not our financial professionals) on the other, may likewise be caused by a variety of factors. They include the role we play in a transaction, compensation arrangements, trading arrangements, and client-specific arrangements. The material facts relating to these conflicts, including certain ways our Firm addresses and manages them, are described below:

- **Revenue Sharing.** In addition to sales charges and similar payments, some issuers and sponsors of investments we recommend share with us a portion of their revenue. These payments, sometimes called “revenue sharing” payments, are usually based on the total amount of sales we make of their investments or the total amount of client assets invested with them. This creates an incentive for our Firm to include on our platform, and encourage the purchase of, investments whose issuers and sponsors share revenue with us, and share more revenue with us than others. We do not share these payments with our financial professionals, to reduce any financial incentive they might have to recommend revenue-sharing investments over others. A list of the investment product issuers and sponsors who provide our Firm with revenue sharing payments (other than for education and marketing support, as described above), which is current as of the effective date of this Reg BI Disclosure, is furnished in the attached Exhibit.

- **Recordkeeping/Shareholder Servicing Fees.** For some investment products, such as mutual funds, college savings plans and variable annuities, we receive ongoing fees for recordkeeping and other shareholder or administrative services. For example, we receive fees in connection with mutual fund-investments for sub-accounting and sub-transfer agent services in respect of our clients. We receive these fees for tracking fund ownership among our client accounts, distributing prospectuses, processing transactions on an omnibus basis and similar services. These fees create an incentive for our Firm to make available on our platform, and encourage the purchase of, investments who pay us for such services, and pay us more than others.

As a percentage of client assets held in investment products for which we receive these types of fees, the total such fees we would receive in most years is approximately 0.05-0.07%. Because we generally provide these types of services on an omnibus (across-the-board) basis, the fee rates we receive typically do not vary materially within categories of products (for example, from one mutual fund to another mutual fund). We do not share these recordkeeping or other shareholder service fees with our financial professionals.

- **Proprietary Products.** Our Firm, considered together with our affiliates, receives more compensation and other benefits if you select mutual funds or other investments that are issued, sponsored or managed by us. This creates an incentive for us to make available on our platform, and encourage the purchase of, proprietary products over others. To help address this conflict, our financial professionals are generally paid the same amount for selling proprietary products and third-party products, holding all other variables equal. A list of the proprietary products we offer to retail clients (current as of the effective date of this Reg BI Disclosure) is furnished in the attached Exhibit.

- **Payment for Order Flow.** As noted in Section 2.3.3, as a Firm we sometimes accept discounts, rebates, reductions of fees or credits for sending client trade orders to particular market centers or exchanges. This creates an incentive for us to direct orders to firms and exchanges who provide us with these non-cash benefits. However, D.A. Davidson’s policy is to route client orders to the market where we believe clients will receive best execution, taking into account price, reliability, market depth, quality of service, speed and efficiency. Likewise, these non-cash benefits are not shared with your financial professional.

3.3. Conflicts for Financial Professionals Alone

Conflicts between the interests of retail clients on one hand, and our financial professionals (but not our Firm) on the other, may be caused by a variety of arrangements, including compensation arrangements, retail client-specific arrangements, or outside business activities. The material facts relating to these conflicts, including certain ways our Firm addresses and manages them, are described below:

- **Production/Compensation Grid.** The single most important factor affecting your D.A. Davidson financial professional’s cash compensation is the total amount of revenues he or she generates for our Firm, which is sometimes referred to as his or her “production.” Specifically, the primary cash compensation we pay to each of our financial professionals (which is determined and paid on a monthly basis) is a percentage share of his or her production, which is generally between 25% and 51%. For each of our financial professionals, the exact percentage he or she receives for a given month is determined primarily according to his or her production over the previous six (6) month period, and tenure with our Firm, as set forth in our compensation grid. Our compensation grid has thresholds or bands that enable your financial professional to increase his or her compensation through an incremental increase in sales.

Commissions and most other transaction-based charges for brokerage services, sales commissions, ongoing payments such as trails and 12b-1 fees, as well as investment advisory fees, generally count toward our financial professionals’ production. Of course, and as explained previously, the compensation that both our Firm and our financial professionals receive is based on these revenues, so we both have a financial incentive to increase those commissions and other payments. However, your financial professional has an additional incentive to maximize his or her ongoing production, because the higher it is over the previous six (6) month period, the greater percentage share he or she will receive for that current month. Stated simply, increasing his or her production generally entitles your financial professional to receive a larger share of a larger dollar figure. Therefore, your financial professional has a strong financial incentive to recommend frequent and larger trades, investment products and accounts that pay us higher revenues, and additional investments, services and accounts that increase his or her production-eligible revenues (as described in Section 3.1 above and throughout this Reg BI Disclosure).

Sections 3.1 and 3.2 above summarize several of the ways our Firm attempts to address and manage these conflicts. In addition, under our compensation grid, the percentage of his or her production that your financial professional will receive as cash compensation is determined on a month-by-month basis over a 6-month lookback period, and the grid includes a number of
incremental rate steps. These features are intended to help manage the incremental compensation increases that our financial professionals can achieve for discrete sales, or for sales over a short period.

Also, certain revenues we receive as a Firm do not count toward our financial professionals’ production, such as margin interest and all other fees described in Subsection 2.3.1 of this Reg BI Disclosure (“Fees and Service Charges Associated with Your Account”), payments from third-party banks that participate in our cash management program, recordkeeping, sub-accounting and other administrative service fees from mutual funds, and certain revenue sharing payments.

Certain other revenues our Firm receives are credited to our financial professionals’ production on a reduced basis, such as equity underwriting compensation (60%), fees paid by clients to DTC that result from the financial professional’s referrals (50%) and fees paid by clients to DIA that result from the financial professional’s referrals (20-70%).

- **Other Bonuses and Awards.** Our financial professionals are able to earn deferred performance awards of up to 4% of their annual production, which are payable in cash or stock of D.A. Davidson’s parent company. Financial Professionals with over seven (7) years’ tenure with the Firm can also earn additional loyalty bonuses of up to 3% of their annual production. These awards and bonuses are based largely on each financial professional’s tenure with our Firm and production as of the end of a performance measurement period (which is typically September 30, the end of D.A. Davidson’s fiscal year). Based on their production and other factors, our financial professionals can also earn recognition, larger expense allowances and additional “concierge” support services.

Teams of our financial professionals can also earn additional cash awards based primarily on their own production and that of their teammates. The conflicts created by these additional incentives are particularly acute toward the end of the applicable performance measurement period, which is usually September 30, the end of our Firm’s fiscal year.

Our Firm limits the amounts of the additional bonuses and awards payable to our financial professionals. Typically, each of our financial professionals will not be eligible to receive bonuses and awards with respect to any single year that — in total — would exceed 8.5% of his or her production. Likewise, new recruits (see below) are not eligible to earn deferred performance awards during periods in which they may be compensated with a fixed production grid as described under “New Recruit Incentives” below.

- **New Recruit Incentives.** When some of our financial professionals are new recruits to our Firm, we grant them forgivable loans – in other words, loans that can be repaid through bonus payments that these financial professionals can earn by remaining employed with our Firm over a period of years (typically nine (9) years). In many cases, for the first year in which a new financial professional is employed with our Firm, we offer him or her a fixed compensation grid which may be higher than the grid for which he or she otherwise would have qualified. We also offer some new financial professionals one of the three following incentives: (i) an increased compensation grid on future advisory fees and commissions if he or she meets certain production goals; (ii) additional forgivable loans if he or she reaches certain production goals; or (iii) additional forgivable loans if he or she brings certain amounts of assets to our Firm.

These incentives encourage our financial professionals to recommend that clients move additional assets to our Firm (for example, through IRA rollovers) and, for (i) and (ii) above, to recommend higher levels of trading and the purchase of additional and larger investments. These additional forms of compensation are typically earned over longer periods of time, to help reduce the incentive for our new recruits might have to achieve large sales volume over short periods or at any given point-in-time. Performance measuring periods are usually twelve (12) consecutive months. Also, while new recruits are usually eligible for expense allowances (as described above under “Other Bonuses and Awards”), they typically are not eligible for deferred performance awards while they qualify for a fixed compensation grid, and are not eligible for loyalty bonuses because they have not yet earned seven (7) years’ tenure.

- **Certain Manager/Regional Director Incentives.** Our managers, directors and supervisors oversee the sales and marketing activities of our Firm. The compensation of certain of our managers and regional directors — namely, our Branch Office Managers (“BOMs”) and Regional Directors (“RDs”) - is tied in part to the production levels of branches or regions over which they have managerial or supervisory responsibility. The tying of BOMs’ and RDs’ compensation to the production of the branches or regions they supervise incentivizes them to spend more time on increasing production levels than on their supervisory responsibilities. Only BOMs and RDs are compensated in this fashion. Our Firm has other management and supervisory personnel who have responsibility for the supervision and oversight of our branches, regions and Firm generally, and who are not compensated based on production levels.

- **Small Trades/Discounts.** As explained above, both our Firm and our financial professionals generally make more money the more brokerage commissions you pay. In addition, if your financial professional agrees to process a trade for a discounted commission, or you place certain small trades (for example, less than a $75 commission for a trade of equities (or most mutual funds), or less than a $50 commission for a fixed-income trade), your financial professional will receive a reduced credit, or no credit at all, to his or her production. Since your financial professional will be paid less even on a pro rata basis for discounted and certain small trades, this gives him or her a financial incentive not to agree to commission discounts or recommend small transactions even if they would be in your best interest.

- **Outside Business Activities.** Some of our financial professionals have outside business activities that compete for their time. If your financial professional engages in any outside business activities, these activities can create an incentive for your financial professional to spend more time on the outside business activity rather than on his or her brokerage relationships with you and other retail clients.

You may research any outside business activities your financial professional may have for which he or she receives compensation at brokercheck.finra.org.

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2 If you have an existing relationship with a financial professional who joins our Firm, and that financial professional contacts you, you will be furnished with an educational document prepared by FINRA that discusses conflicts of interest resulting from firm changes.
4. Characteristics, Risks, Fees and Costs Associated with Specific Investments

Because fees and costs vary among investments, set forth below and on the following pages is more specific fee and cost information for the types of transactions and investment holdings that are most common for our retail clients.

Subsections 4.1 through 4.13 below discuss both the compensation that we receive (as described in Subsections 2.3.2 and 2.3.3), as well as other material fees and costs that you will typically pay in connection with particular investments and insurance products. Again, the discussion below describes fees and costs that apply in addition to the Fees and Service Charges described in Subsection 2.3.1, such as Trade Processing (Handling) Fees, margin interest, etc. Also, a general description of the characteristics and material risks associated with particular investments and insurance products is provided, along with additional sources of information we strongly encourage you to review.

When you purchase an investment that is subject to price fluctuation its performance cannot be guaranteed and you may lose money. Past performance is not a reliable indicator of future performance but may help you evaluate an investment’s volatility over time.

In some cases, we have included hypothetical transactions as examples, and certain estimates relating to fees and costs. Please note that fees and costs associated with your specific transaction may differ from these hypothetical examples and estimates. With some exceptions noted below, our Firm will send you a trade confirmation each time you buy or sell a security. The confirmation will include required information about the commissions and other payments you paid in connection with your purchase or sale. It will also explain whether we acted as agent or as principal with respect to the trade. If you are charged a mark-up or mark-down (including when we are acting in an underwriting capacity as described below), the amount we are paid in connection with your purchase or sale will not be reflected in your trade confirmation unless required by applicable regulation. You should always carefully review your trade confirmation and contact your financial professional with any questions you have.

4.1. Individual Equities (Stocks)

Characteristics and Risks
The Firm offers a wide range of equity securities (stocks). A share of stock is a security that represents a partial equity (ownership) interest in a particular company. Owning stock of a company entitles you to certain rights. Those rights include a proportionate share of the dividends the company issues, as well as a proportionate share of any net proceeds from the sale or liquidation of the company if this should occur. “Common” stocks, which are the most familiar type of stocks to most people, also entitle their owners to vote on certain issues pertaining to the company. “Preferred” stocks, on the other hand, are usually non-voting shares, but entitle owners to receive a certain amount of dividends on a priority basis before dividends are paid on common stock.

All stock investments carry risks, including loss of your investment principal. This can occur, for example, due to poor financial performance by the company, its bankruptcy or insolvency, or other factors that negatively affect the economy generally or specific sectors within the economy. Generally, stocks of companies that are smaller and less stable, lack proven business models and earnings history, or are located outside the United States and other well-developed markets, are considered more “speculative” (higher risk) investments than others.

Before deciding to buy or sell particular stocks, it is important for you to evaluate the risks associated with the company. As part of this evaluation, you will want to carefully review the company’s relevant disclosure documents, such as its prospectus in the case of an IPO, or SEC filings in the case of a secondary market purchase of stock in a publicly-traded company. Stocks in public companies are generally registered with the SEC, and in most cases the companies are required to file reports with the SEC quarterly and annually. You may access these disclosure documents on the SEC’s EDGAR website at sec.gov/edgar/search-and-access.

Fees and Costs - Commissions and Other Payments
The majority of stock trades that we effect for retail clients are “secondary market” trades. This means you are buying or selling previously-issued shares on the trading markets (as opposed to “new issue” shares through an IPO or similar offering, which are referred to as “primary” markets). Each time D.A. Davidson effects a secondary market stock trade for you, we will charge your brokerage account a commission that is based upon the principal amount of the stock you buy or sell. That commission will be reflected on the trade confirmation you will receive from the Firm as part of your trade.³

The following chart describes the maximum commission rates we will charge for such secondary market stock trades. On occasion, your D.A. Davidson financial professional may agree to a lower (discounted) commission than the maximum commission described on the next page.

³Where we sell exchange-listed equity securities on your behalf, your trade confirmation will also reflect a nominal “direct fee.” This charge is an exchange fee we collect to recoup transaction fees our Firm pays to the exchange or self-regulatory organization. The rates of these charges vary and are determined periodically by the exchange or self-regulatory organization that assesses them. Please contact your financial professional with any questions.
Please note that these rates\(^4\) are current as of the effective date of this Reg BI Disclosure, and D.A Davidson reserves the right to change these commission rates at any time:

### Maximum Commission Rates – Equities and Other Exchange-Traded Securities

<table>
<thead>
<tr>
<th>Trade Principal (Amount)</th>
<th>Commission Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $5,000</td>
<td>2.95%</td>
</tr>
<tr>
<td>Next $5,000 ($5,000.01 - $10,000)</td>
<td>2.10%</td>
</tr>
<tr>
<td>Next $5,000 ($10,000.01 - $15,000)</td>
<td>1.80%</td>
</tr>
<tr>
<td>Next $10,000 ($15,000.01 - $25,000)</td>
<td>1.60%</td>
</tr>
<tr>
<td>Next $25,000 ($25,000.01 - $50,000)</td>
<td>1.20%</td>
</tr>
<tr>
<td>Next $50,000 ($50,000.01 - $100,000)</td>
<td>0.85%</td>
</tr>
<tr>
<td>All additional amounts (above $100,000)</td>
<td>0.70%</td>
</tr>
</tbody>
</table>

**For example**, say you wish to purchase 1,000 shares in a public company that cost $10 per share ($10,000 trade principal). The total commission we would charge would not exceed $252.50, which is the sum of:
- $147.50 (2.95% of $5,000) on the first $5,000 of trade principal, and
- $105.00 (2.10% of $5,000) on the next $5,000 of trade principal.

In this case, your total cost for the shares would not exceed $10,252.50. (For simplicity, we are excluding any other charges described in Subsection 2.3.1 above that may apply, such as the $6.85 Trade Processing [Handling] Fee or any direct fee described in footnote 3.)

**Instead**, say you wish to buy as many shares as possible with a total cost (shares plus commissions) of no more than $10,000. In that case, we would buy you 975 shares for $9,750.00, and our total commission would not exceed $247.25, which is the sum of:
- $147.50 (2.95% of $5,000) on the first $5,000 of trade principal, and
- $99.75 (2.10% of $4,750) on the next $4,750 of trade principal.

In this case, your total cost (shares plus commissions) would be no more than $9,997.25 ($9,750 for the shares plus $247.25 in commissions), so you would have at least $2.75 left over. (For simplicity, we are excluding any other charges described in Subsection 2.3.1 above that may apply, such as the $6.85 Trade Processing [Handling] Fee or any direct fee described in footnote 3.)

Although less common, in some cases D.A. Davidson may sell shares of stock (from our own inventory) to your brokerage account, or purchase them from your brokerage account. These are called “principal” trades or transactions. We could receive more total compensation for principal trades than others. For principal trades of stocks, we are compensated through mark-ups from the prevailing market price where we sell stock to you, and mark-downs from the prevailing market price where we buy stock from you. Mark-ups and mark-downs have the same effect as brokerage commissions, meaning they are subtracted from your transaction proceeds, but could be higher than the brokerage commission rates described above.

Likewise, where D.A. Davidson underwrites and distributes (sells) “new issue” equity securities on the primary market through an IPO or similar process, we receive underwriting fees, syndicate fees, selling concessions or other similar fees. Because of the role D.A. Davidson plays in underwriting the securities, the total compensation D.A. Davidson would receive will be higher than the brokerage commission rates described above. The compensation D.A. Davidson would receive is usually “paid” to our Firm as an underwriting discount, which is negotiated with the issuer of the stock and (expressed as a percentage of the purchase price you pay) would typically be between 3.0% and 7.0%. Your financial professional’s compensation for selling you the shares is usually 60% of the underwriting discount (regardless of the principal amount of your specific transaction), which is higher than the brokerage commission rates described above. The remainder of the underwriting discount compensates other employees of the Firm for their role in the underwriting and distribution process. Your confirmation statement will not reflect that compensation.

In the event that your financial professional recommends an IPO or other primary market trade, or principal trade of stocks for your account, he or she will discuss this with you, and will provide or make available to you specific information (including a prospectus in the case of an IPO) about the compensation the Firm would receive. To reiterate, the majority of stock trades that we effect for retail clients are “secondary market” trades, not IPOs or other primary market sales. Likewise, the majority involve trades with third-party investors, not principal trades with D.A. Davidson.

**More Information**
For more information about investing in stocks, such as certain material risks and other important considerations, including the compensation that our Firm and financial professionals receive for buying and selling stocks, and the conflicts of interest those payments create, we encourage you to read Individual Equities (Stocks) Investing, which is available at dadavidson.com/Disclosures.

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\(^4\) This Commission Rate table applies to secondary market transactions. As explained in more detail in the applicable subsections, in addition to equities this Commission Rate table applies to secondary market transactions of exchange-traded funds (ETFs), exchange-traded notes (ETNs), closed-end funds and exchange-traded REITs. Again, we urge investors to review the transaction confirmations they receive from D.A. Davidson to confirm the amount of commissions and other charges that apply to each purchase or sale. For a single transaction, the minimum commission we will generally charge under this Commission Rate table is $75. However, there is an exception: If it were necessary to process a sale transaction from your account which is so small that the $75 commission would be more than the amount of the trade, we would reduce our commission as necessary to ensure that this would not occur.
You may also obtain information about equity securities generally by visiting the SEC’s website at investor.gov/introduction-investing/investing-basics/investment-products/stocks.

4.2. Bonds (Fixed-Income)

Characteristics and Risks
The Firm offers a wide range of bonds, which are fixed-income (debt) investments issued by different types of governmental and non-governmental issuers. When you purchase a bond, you are lending the investment proceeds to the issuer. In exchange, the issuer agrees to pay a stated rate of interest – called the bond’s coupon rate – until the end of the bond’s life (the “maturity”). At maturity, the issuer also agrees to return your money invested (your principal). Bond maturities range from very short terms of one week all the way up to 30 years or more.

There are many types of bonds, and the features, characteristics, and risks associated various bond investments vary significantly. While there are some other bond types, the majority of the bonds we offer fall into one of three categories:

- Corporate bonds issued by public and private companies;
- Municipal bonds, which are issued by state and local government entities to finance public works and other projects; and
- Treasury instruments and other debt investments that are backed by the full faith and credit of the U.S. Government (“Treasuries”).

For most bonds, the most significant risk for investors is referred to as “default risk” or “credit risk” – meaning the risk that the issuer will not be able to pay interest and principal payments when due. Generally, the higher the default risk, the higher the interest (coupon rate) the bond will have to pay to compensate investors. Bonds categorized as “high-yield” or “below-investment-grade” (also known as “junk bonds”) are considered to have the highest default risk and pay the highest coupon rates. Treasuries are generally considered to have no default risk, and thus they generally pay less interest than other debt investments.

However, all bonds (including Treasuries) carry some risk. This is because the market/trading prices of bonds are affected by many different factors, including but not limited to market interest rates, supply and demand for the bond, the issuer’s credit rating, bond size, and age-to-maturity. Thus, investors can lose money on bonds even if the issuer does not default.

Fees and Costs – Commission-Equivalents and Other Charges
The fees and costs associated with bond trading are primarily transaction-based charges paid to us. The specific fees and costs you will pay vary based on a number of factors.

Many of the bond trades that we effect for retail clients (or enter into with retail clients) are “secondary market” trades. As secondary trades, we can buy or sell existing bonds on your behalf where the other party to the trade is a third-party investor. In addition, in many cases we may buy bonds for our own account from you, or sell them from our inventory to you (principal trades), on the secondary market.

For secondary market purchases or sales of bonds, D.A. Davidson charges “mark-ups” and “mark-downs” (adjustments from the prevailing market price) when you buy and sell bonds within your brokerage account. Mark-ups and mark-downs have the same effect as brokerage commissions, meaning they are subtracted from your transaction proceeds, and are imposed one-time for each purchase or sale, as applicable. The maximum mark-ups and mark-downs we charge on secondary market purchases and sales of bonds are determined according to the bond’s maturity, as set forth in the following rates. On occasion, your D.A. Davidson financial professional may agree to a lower (discounted) mark-up or mark-down than the maximum amount described below.

Please note that mark-ups and mark-downs on bonds are not typically reflected in trade confirmations you receive from our Firm unless they are required to be reflected by applicable regulation. However, your financial professional can help you determine the amount of the mark-up or mark-down associated with any bond trade. Also, please note that these rates are current as of the effective date of this Reg BI Disclosure, and D.A Davidson reserves the right to change these mark-up and mark-down rates at any time:

### Fixed Income Pricing Policy – Secondary Market 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>0.25%</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>

5 These Maximum Mark-Up and Mark-Down Rate tables apply to secondary market transactions. As explained in more detail on the following pages, in addition to all bonds (corporate bonds, municipal bonds, Treasuries and others) these Maximum Mark-Up and Mark-Down Rate tables also apply to certificates of deposit (CDs).
### Table: Maximum Mark-Down on Sale

<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>0.25%</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>

**For example**, say you wish to purchase 10 bonds each with a $1,000 par (face) value ($10,000 total), having a maturity of five years. The total mark-up adjustment would not exceed 1.875% of $10,000, or $187.50.

Your total cost for the bonds would not exceed $10,187.50 (for simplicity, we are excluding any other charges described in Subsection 2.3.1 above that may apply, such as the $6.85 Trade Processing [Handling] Fee).

In other cases, D.A. Davidson acts as an underwriter (in other words, a distributor) of bonds, meaning we sell newly-issued bonds to investors on the “primary” market. In those cases, D.A. Davidson receives underwriting, syndicate and other similar fees for our services to the bond’s issuer. These sales are always considered “principal” trades, because we are effectively selling bonds to you from our own inventory. At the firm level, D.A. Davidson’s compensation for primary market trades of “new issue” bonds will almost always be higher than the mark-ups or mark-downs we charge for secondary market trades of previously-issued bonds.

More specifically, for bonds underwritten by D.A. Davidson and other primary market sales, the compensation D.A. Davidson would receive is usually “paid” to our Firm as an underwriting discount, which is similar to a mark-up, and (expressed as a percentage of the purchase price you pay) would usually be between .35% and 2.0%. However, only a portion of this compensation (typically 20% to 30%) is taken into account when determining your financial professional’s compensation for selling you the bonds. The remainder of the underwriting discount compensates other employees of the Firm for their role in the underwriting and distribution process.

If your D.A. Davidson financial professional recommends an investment in a bond for which we are the underwriter, or any other primary market trade, he or she will refer or make available to you the offering document for the bond, which contains detailed information about all of the compensation D.A. Davidson would receive.

**More Information**

For more information about investing in certain bonds, such as certain material risks, different types and features, and other important considerations, including the compensation that our Firm and financial professionals receive for buying and selling bonds, and the conflicts of interest those payments create, we encourage you to visit our webpage at dadavidson.com/Disclosures and access:

- **Bonds (Fixed-Income) Investing** with respect to bonds generally, such as corporate bonds;
- **Municipal Bonds (Fixed-Income) Investing** with respect to municipal bonds; and
- **Treasuries and Other U.S. Government Guaranteed Bonds (Fixed-Income) Investing**, with respect to Treasuries.

More information describing a specific bond’s features and risks is available in the bond’s offering document.

More information about bonds, including pricing and issuer credit ratings, is also available on FINRA’s website at finra-markets.morningstar.com.

In addition, more information about municipal bonds in general and about specific municipal bonds is available on the Municipal Securities Rulemaking Board’s (MSRB) website at msrb.org or on the MSRB’s Electronic Municipal Market Access (EMMA) website at emma.msrb.org.

### 4.3. Certificates of Deposit (CDs) (Fixed-Income)

**Characteristics and Risks**

CDs are another type of fixed-income (debt) investment, similar in some ways to bonds. CDs are issued by banks, as well as savings and loan associations (each, a “bank”). 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 20-30 years.

Like most bonds, CDs carry some “default risk” or “credit risk,” meaning that the issuing bank could default and be unable to pay interest and principal owed when due. However, CDs are bank deposits, and for each bank that is a member of the Federal Deposit Insurance Corporation (FDIC), the deposits of each depositor of the bank up to $250,000 are eligible for FDIC insurance coverage. FDIC insurance is designed to significantly reduce the credit risk/default risk of CDs and other bank deposits. All CDs that we recommend and sell to clients are from FDIC-insured banks.

Please note that the $250,000 “per bank, per depositor” FDIC insurance limit includes not only CDs, but also other deposits and instruments. 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.
Also, the market/trading prices for CDs vary, based largely on the same types of factors that influence bond prices. Thus, investors can lose money when purchasing and selling CDs.

**Fees and Costs – Commission-Equivalents**

Similar to most bond trades, the fees and costs associated with investing in CDs are primarily transaction-based charges.

More specifically, for secondary market transactions, we charge the same maximum mark-ups when you purchase CDs, and the same mark-downs when you sell CDs, as we do for bonds having the same maturity. Therefore, please refer to our “Fixed Income Pricing Policy” above (under “Bonds”) for a summary of our maximum mark-up and mark-down rates on secondary market CD transactions.

In other cases, D.A. Davidson sells newly-issued CDs to investors on the primary market. In those cases, like primary market sales of bonds, these sales are principal trades because we are selling CDs to you from our own inventory. And also like bonds, D.A. Davidson will typically be compensated through an underwriting discount (similar to a mark-up) that, expressed as a percentage of the purchase price you pay, would usually be between .35% and 2.0%. Again, only a portion of this compensation (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 our Firm on the primary market, you will be provided with more detailed information about all of the compensation D.A. Davidson would receive.

**More Information**

For more information about investing in CDs, such as certain material risks, different features of CDs, and other important considerations, including the compensation that our Firm and financial professionals receive for buying and selling CDs, and the conflicts of interest those payments create, we encourage you to read *Certificates of Deposit (CDs) Investing*, which is available at dadavidson.com/Disclosures.

### 4.4. Options

**Characteristics and Risks**

The firm offers various option contracts for you to buy or sell. Options are investment contracts that give the buyer (the owner) a right to either buy or sell an underlying asset at a particular price (called the strike price), on or before a particular date. Typically, one option contract represents 100 shares of the underlying security.

Options are “derivative” investments because their value comes from that of the underlying asset. The underlying assets can be almost anything. For instance, there are options on individual stocks, bonds, commodities, currencies, and even whole markets and indices (for example, the S&P 500, which is an index of large company stocks). Thus, the performance and risks of options are related to those of the underlying asset or market.

There are two primary types of option contracts:

- **“Call” options** give the owner a right to buy a pre-determined amount of an underlying asset at the strike price on or before the option’s expiration.
- **“Put” options** give the owner a right to sell a pre-determined amount of an underlying asset at the strike price on or before the option’s expiration.

There are two parties to an options contract, and it is very important to understand the differences:

- The buyer (owner) pays a “premium” for the contract and gets the benefit of the rights in the contract. When you own options, you have rights, but not obligations. The primary risk of buying options is the possible loss of your premium - generally, a buyer/owner of an options contract will not lose more money than the premium paid.
- The seller (writer) collects the premium from the buyer in exchange for giving the buyer his or her contract rights. When you sell or “write” an options contract, you have the obligation to honor the contract if the buyer exercises the option. Specifically, you will either be required to buy or sell the asset at the strike price. These obligations can lead to large financial losses. For this reason, the risks of selling/writing options contracts are generally higher than buying/owning them.

Which party makes money on an options contract, and how much, depends on the price movement of the underlying asset. Again, certain option trades have the potential to create significant losses over short time periods – accordingly, our Firm restricts the types of option trades, and underlying assets that are available to clients.

Prior to buying or selling options, you will have to enter into our Option Application and Account Agreement and you will receive a copy
of the “Characteristics & Risks of Standardized Options,” also known as the options disclosure document (“ODD”). Investors should read a copy of the ODD prior to buying or selling an option. The ODD contains required disclosure of the characteristics and risks of standardized option contracts.

No certificates are issued to show your ownership of an option. You must review the confirmations and statements that you receive from us in order to confirm your positions in options as of the date of the confirmation or statement. It is very important to understand the process for exercising your rights as the holder of an option contract. You must give us instructions in accordance with our Firm’s procedures in order to exercise your rights; those procedures will be provided to you if you open an options account with us.

Fees and Costs – Brokerage Commissions
We will charge you a commission each time you buy or sell an option contract. In addition, it is possible that you will pay a separate commission to buy or sell the underlying asset – i.e., if you or the other party to the contract exercises the option.

If you are the buyer, you will also pay the premium associated with the options contract, which you will pay (and which will not be refunded to you) regardless of whether or not you choose to exercise the option to buy or sell the underlying asset. The premium you will pay for an option contract is not a standard term, and can differ significantly based on the terms of the option contract.

Our commission is charged one-time for each purchase or sale of option contracts you enter into. Per our current commission rates for options, the maximum total commission amount you will pay is the sum of the amounts described below. On occasion, your D.A. Davidson financial professional may agree to a lower (discounted) commission than the maximum commission described below.

Please note that these rates are current as of the effective date of this Reg BI Disclosure, and D.A Davidson reserves the right to change these commission rates at any time:

<table>
<thead>
<tr>
<th>Trade Principal (Amount)</th>
<th>Commission Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $1,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>Next $4,000 ($1,000.01 - $5,000)</td>
<td>2.50%</td>
</tr>
<tr>
<td>Next $10,000 ($5,000.01 - $15,000)</td>
<td>1.50%</td>
</tr>
<tr>
<td>All additional amounts (above $15,000)</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

PLUS
An additional $1.75 per options contract is charged if priced less than $1.00, or an additional $3.00 per options contract if priced $1.00 or higher.⁶ Again, a single option typically represents 100 shares of the underlying security.

For example, say you purchase 25 options at a price of $4.00 each – meaning you pay a total premium of $100, with a trade principal of $10,000. The total commission we would charge would not exceed $300, which is the sum of:
- $50 (5.00% of $1,000) on the first $1,000 of trade principal,
- $100 (2.50% of $4,000) on the next $4,000 of trade principal,
- $75 (1.50% of $5,000) on the last $5,000 of trade principal, and
- $75 ($3.00 each on 25 options).

More Information
For more information about options trading, such as certain material risks, basic option types and strategies, and other important considerations, including the compensation that our Firm and financial professionals receive for effecting options trades, and the conflicts of interest those payments create, we encourage you to read Options Investing, which is available at dadavidson.com/Disclosures.

4.5. Mutual Funds

Characteristics and Risks
The Firm offers a wide range of mutual funds from many different fund companies, and across many asset classes, strategies and styles. In you invest in mutual funds, in some cases they may be held (custodied) by D.A. Davidson, and in other cases they may be "direct-held" with the fund company.

Mutual funds are registered investment companies that issue redeemable securities. Mutual funds issue shares on a continuous basis, and there is no secondary trading market for mutual fund shares. Mutual funds are required to sell their shares at the fund’s net asset value (NAV) per share plus any applicable sales charge or “load,” which are described below. The fund’s NAV is essentially the “per share” value of the fund’s assets over its liabilities.

As a general matter, because mutual funds hold a number of underlying securities, they are better diversified (and therefore should be less volatile) than investments in individual securities such as stocks and bonds. However, all mutual funds carry risks, including loss of

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⁶ For a single options trade, the minimum commission we will generally charge under the above rate schedule is $75. However, there is an exception: If it became necessary to process a sale transaction from your account which is so small that the $75 commission would be more than the amount of the trade, we would reduce our commission as necessary to ensure that this would not occur.
your investment principal. The risks associated with a particular mutual fund will correlate to those of its underlying investments and markets. For example, because equities (stocks) are generally considered riskier than bonds, equity funds are generally considered riskier than bond funds. Likewise, mutual funds that invest in smaller and less well-established companies, emerging (and other non-U.S.) markets, or high-yield bonds (bonds having higher default risk) would generally carry greater degrees of risk.

An important aspect of mutual fund investing is to read the mutual fund’s prospectus carefully before investing. Each mutual fund prospectus contains important information that will help you make an informed decision about an investment in a mutual fund. In deciding whether to invest in a mutual fund, you should consider several different factors, including the mutual fund’s past performance, investment objective, investment strategies and risks, the investment adviser responsible for the management of the mutual fund’s assets, and the fees and expenses associated with an investment in a particular mutual fund. While past performance of a mutual fund is not indicative of its future performance, mutual funds with longer-term performance records and portfolio manager’s experience and qualifications are appropriate factors to consider.

Below is a discussion of the fees and costs that are generally associated with mutual fund investments. Again, specific information about the fees and expenses associated with a particular mutual fund is provided in its prospectus. In connection with any mutual fund investment you make through D.A. Davidson - whether or not your financial professional recommends it to you - you will be provided with a prospectus (this may occur shortly after your initial investment). However, we strongly recommend that you obtain and read any mutual fund prospectus before investing, and if your D.A. Davidson financial professional recommends a mutual fund to you, you will be furnished with a prospectus.

Fees and Costs – Generally
You will often pay a sales charge or load when you buy shares in a mutual fund. We receive a portion of this sales charge to compensate us for our efforts, and the efforts of our financial professionals, in selling shares of the mutual fund. Most mutual funds utilize multiple share classes, with differing fees and expenses for distribution and shareholder services. Though there are many different types of share classes, the most common share classes available to you are Class A, Class C, and Class R. Each class typically has different fees and costs, and therefore fund performance results will differ as those fees and expenses reduce performance across share classes. You should also note that the length of time you expect to hold your investment in a mutual fund will generally play an important role in determining which share class is most appropriate for you, and you should discuss this consideration with your financial professional.

Fees and Costs – Share Class Distinctions
While there are no standard definitions for these share classes, and each mutual fund defines its share classes in its prospectus, set forth below are some basic descriptions of the most common share classes available to you:

- **Class A** – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of your investment. This means that a sales charge is deducted from your investment each time you purchase shares in the mutual fund. Class A shares also typically have ongoing fees and expenses, which sometimes include marketing and distribution fees commonly referred to as “12b-1 fees.” Although they have ongoing fees and expenses, Class A shares typically have lower ongoing operating expenses compared to the other share classes of the same mutual fund that may be available to you. This means that ongoing costs will often be lower than ongoing costs associated with other share classes of the same mutual fund that may be available to you. Many mutual funds offer “breakpoint” discounts for large investments in Class A shares, which means that the front-end sales charge decreases as the investment increases. These breakpoints are described in the mutual fund’s prospectus.

  - **Front-end sales charges** for Class A shares of different mutual funds vary. Hypothetically, typical schedules of front-end sales charges might provide for charges of 4.5-6.0% for investments of less than $25,000, decreasing incrementally down to 1.0-1.5% (or even 0% for very large investments of $1 million or more), with 6-10 incremental “breakpoint rates” in between (See “Fees and Costs – Breakpoints” below).

  - **12b-1 fees** for Class A shares of different mutual funds likewise vary, but a typical 12b-1 fee would be 0.25% annually.

- **Class C** – This share class is characterized by a level asset-based sales charge that you pay annually as a percentage of your assets. It does not have a front-end sales charge like Class A shares, but does have a contingent deferred sales charge (also known as a CDSC or “back-end load”). This CDSC means that you pay a sales charge when you sell your mutual fund shares. The amount of the CDSC is typically assessed as a percentage of your investment, and it declines over time and eventually is eliminated the longer you hold your shares. Most Class C shares generally eliminate the CDSC after one year. However, Class C shares typically have higher ongoing fees and expenses, such as 12b-1 fees, than other share classes that may be available to you.

  - **CDSCs** for Class C shares of different mutual funds vary, but a typical CDSC would be 1.0%.

  - **12b-1 fees** for Class C shares of different mutual funds likewise vary, but a typical 12b-1 fee would be 0.75% to 1.0% annually.

To help manage the financial incentive that our financial professionals have to recommend certain mutual funds over others, we “cap” (limit) the amount of the sales charges paid to our Firm that are taken into account in determining our financial professionals’ compensation as follows:

- Front-end sales charges for Class A shares are capped at 3.5%
- CDSCs for Class C shares are capped at 1.0%
To illustrate, holding all other factors equal, our financial professionals would not receive higher pay for selling Class A shares of a mutual fund that pays a front-end sales charge of 5.0% than one that pays 3.5%. However, because the 3.5% figure is a limit, a financial professional would receive higher pay for recommending a fund that pays 3.5% over one that pays any lower amount (i.e., the financial professional would receive credit for 3.0% if this is what the fund pays, 2.5% if this is what the fund pays, etc.) Also, in all cases the full amount of the sales charge described in the mutual fund’s prospectus is still paid to D.A. Davidson; any excess over the cap is simply retained by our Firm.

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**D. A. Davidson has adopted a Class C Share Conversion Program to reduce the potential for investors to hold Class C shares beyond the point where the ongoing costs of ownership can exceed Class A shares.** Under this program, if the Class C shares are eligible and held for six or more years they will automatically convert into Class A shares of the same fund and at the net asset value without the sales charge that typically applies to Class A share purchases. The share class conversion is not treated as a taxable event. This will allow investors to benefit from the lower ongoing costs of Class A shares.

D. A. Davidson’s Class C Share Conversion Program began in January 2020, and will expand over time to include a larger number of fund families, as defined by the fund’s prospectus. You can also ask your financial professional whether you hold Class C mutual fund shares from fund companies that will participate in the program.

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- **Class R** – This share class is available to retirement investors purchasing shares in a mutual fund through employer-sponsored retirement plans, such as 401(k) plans. Class R shares do not have a front-end sales charge or CDSC like Class A or Class C shares, but Class R shares do have ongoing fees and expenses such as 12b-1 fees intended to finance the distribution activities related to sales of the fund shares. These fees and expenses are deducted from your assets on an ongoing basis.

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**12b-1 fees** for Class R shares of different mutual funds vary, but a typical 12b-1 fee would be 0.25% to 0.50% annually.

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**Fees and Costs – Breakpoints**

While it may make sense to own mutual funds from different mutual fund companies, it also may increase the total sales charges that you pay to purchase those mutual funds. Mutual fund companies often offer discounts or reduced sales charges based on the total amount you choose to invest with the mutual fund company. The investment levels needed to receive these discounts are known as “breakpoints.” Mutual fund companies typically allow you to combine holdings with those of immediate family members to reach these breakpoints.

Set forth below are some common ways you can receive the benefits of breakpoints.

- **Rights of Accumulation:** “Rights of accumulation” allow you to combine your mutual fund purchase with your existing investment in the mutual fund company to reach a breakpoint.

- **Letter of Intent:** You can take advantage of breakpoints by agreeing to purchase a certain dollar amount in a mutual fund over a specified period of time. In most instances, this requires signing a “Letter of Intent” (LOI).

The prospectus of every mutual fund describes its breakpoint policies, including how you can reach breakpoints. You can request a copy of a mutual fund’s prospectus from your financial professional. Again, you will be provided with a prospectus in connection with any purchase of a mutual fund.

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**Fees and Costs – Ongoing Fees and Expenses**

In addition to the 12b-1 fees mentioned above, mutual funds typically also deduct other ongoing fees and expenses, such as management fees or servicing fees, from fund assets. These ongoing fees and expenses are used to pay for the mutual fund’s continued annual operating expenses (these ongoing fees are sometimes referred to as the mutual fund’s “expense ratio”), such as paying the mutual fund’s investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. In addition, as noted above, the ongoing fees and expenses include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund, and include marketing and advertising expenses.

These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

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**Expense ratios** of various mutual funds are not standard terms and can differ very significantly. As a general illustration:

- Actively managed mutual funds often have expense ratios between 0.75% and 1.25%, and expense ratios exceeding 1.5% are generally considered to be high. Depending on the fund’s strategy and certain other factors, expense ratios can be even higher in some cases, but rarely exceed 2.5%.

- For passive (index-tracking) mutual funds, expense ratios often range between 0.2% and 0.8%.
For example, say you purchase Class A shares in a mutual fund having a total public offering price of $10,000, with a 5% sales charge. The sales charge you would pay (and which would compensate D.A. Davidson) would be $500, and the value of your investment would be $9,500.

For simplicity, imagine that the value of your investment remains at $9,500 for a period. If the fund pays a 12b-1 fee of 0.25% (annually), the 12b-1 fee would be (0.25% x $9,500) = $23.75.

If instead you bought Class C shares, there would be no up-front sales charge (and no CDSC as long as you hold the fund long enough), but if Class C shares pay a 1.0% 12b-1 fee, the 12b-1 fee (annually) would be (1.0% x $10,000) = $100.00.

Fees and Costs – Systematic Purchase Programs
If you participate in a systematic purchase program with a mutual fund company, you should recognize that each automatic contribution into the program will result in a “new” purchase of shares. For example, if you invest in Class C shares which eliminate the CDSC after one year, in effect your investment will have a “rolling” series of CDSCs, each of which will expire one year after the applicable portion of your investment was purchased.

More Information
More information on a specific mutual fund’s sales charges, ongoing fees and expenses, and overall expense ratio is available in the mutual fund’s prospectus. You can request a copy of a mutual fund’s prospectus from your financial professional. You will be provided with a prospectus in connection with any purchase of mutual fund.

For additional information about fees and costs associated with a particular mutual fund, we also encourage you to look up the fund on FINRA’s Fund Analyzer tool (you can search by fund name, fund family, ticker or keywords), which is available at tools.finra.org/fund_analyzer.

For more information about mutual fund investing generally, such as certain material risks, share classes and characteristics, and other important considerations, including the compensation that our Firm and financial professionals receive for selling mutual funds, and the conflicts of interest those payments create, we encourage you to read Mutual Fund Investing, which is available at dadavidson.com/Disclosures.

4.6. College Savings Plans

Characteristics and Risks
Our Firm offers various college savings plans, which are a type of “529 plan.” 529 plans are tax-advantaged and state-sponsored investment programs designed specifically for education savings. There are two general types of 529 plans: college savings plans and prepaid tuition plans. College savings plans are securities that allow investment earnings to grow tax-deferred, and withdrawals are exempt from federal taxation when used for qualified educational expenses. College savings plans generally operate through state-sponsored trusts and permit investors to allocate contributions to one or more trust portfolios or “investment options” offered in the plan. Prepaid tuition plans allow investors to “lock in” tuition rates at certain specified educational institutions. Every state offers at least one type of these 529 plans, and some states offer both types of 529 plans. The remainder of this disclosure discusses college savings plans.

College savings plan contributions are generally invested in certain underlying investment options, typically mutual funds. Thus, you should review the discussion of Characteristics and Risks under “Mutual Funds” above. Your contributions will fluctuate in value as the underlying investment options increase or decrease, and there is no guarantee that the amount contributed to the college savings plan will equal the amount necessary for future education expenses.

Although similar to mutual funds in certain ways, college savings plans are issued by state governments, and are not directly regulated or registered under the federal securities laws. In most cases, college savings plans are directly-held accounts. This means you will not typically receive any statements or trade confirmations from our Firm.

An important aspect of investing in college savings plans is to read the offering document (often called a program description or “official statement”) carefully before investing. Each program description contains important information that will help you make an informed decision about an investment in a college savings plan. In deciding whether to invest in a college savings plan, you should consider several different factors, including each investment option’s past performance, investment objective, investment strategy and risks, the investment adviser responsible for advising the state issuer, and the fees and expenses associated with an investment in a particular investment option. While past performance of an investment option is not indicative of future results, an investment option’s long-term performance record may be an important factor in deciding to invest.

Fees and Costs
You often will pay a sales charge when you purchase a college savings plan. We receive a portion of this sales charge for the sales and related services we provide to the primary distributor of the college savings plan. Most college savings plans offer multiple units (often called share classes), which generally mirror the share class structure offered by many mutual funds. Although there are several types of college savings plan share classes, the most common share classes available to you through D.A. Davidson are Class A and Class C.

Each class typically has different fees and expenses, and therefore investment performance will differ as those fees and expenses reduce performance across share classes. You should also note that the amount of time you expect to hold your investment in a college savings plan

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plan may play an important role in determining which share class is most appropriate for you, and you should discuss this consideration with your financial professional.

While there are no standard definitions for these share classes, and each college savings plan defines its share classes in its offering document, the sales charges (and other fees and costs) associated with Class A and Class C college savings plans generally correlate respectively with those of Class A and Class C mutual funds, which are typically the underlying investments. Therefore, we encourage you to review those discussions under “Mutual Funds” above. In addition to sales charges and other mutual fund expenses, college savings plans often deduct certain additional fees and expenses from assets in the investment options. Although these fees and expenses will vary based on your college savings plan, some of the more common ones are:

- **Program Management Fees** – College savings plans generally deduct a program management fee to pay the program manager for providing investment advisory, accounting, and other services to the plan. This fee is typically charged annually as a percentage of your assets, and is reflected in the NAV of the plan’s investment options.

- **Maintenance Fees** – Most college savings plans charge an annual maintenance fee. This fee, which compensates the plan sponsor for costs of maintaining the plan, may be waived in certain circumstances, such as when your plan assets exceed certain thresholds.

You pay these fees and expenses as they are deducted from your investment option assets, or the assets of underlying mutual funds, on an ongoing basis.

**More Information**

More information on the sales charges, ongoing fees and expenses, and underlying investment options is available in the college savings plan’s offering document, which you can request from your financial professional. You will be provided with an offering document in connection with any investment in a college savings plan through our Firm.

### 4.7. Closed-End Funds

#### Characteristics and Risks

The Firm offers a number of closed-end funds, including interval funds, from different fund companies. While interval funds are a category of closed-end funds, because they differ in some important respects we will initially discuss them as a separate category (of closed-end funds). The basic differences are as follows:

- **Closed-end funds (that are not interval funds)** usually sell a limited number of shares through an IPO or similar process on the primary market. After the shares are issued, many closed-end funds do not allow investors to redeem their shares at all (others might do so only on occasion, for example through a tender offer). Rather, shares of closed-end funds trade on the secondary markets, similar to equities.

- **Interval funds** usually offer their shares for purchase continuously, like mutual funds. They are not usually traded on the secondary markets. However, interval funds only allow investors to redeem their shares at certain pre-established intervals – for example, once per calendar quarter. And, the portion of an interval fund’s outstanding shares that will be redeemed (in other words, repurchased by the fund) at each interval is generally limited to between 5% and 25%. Also, while the redemption price for interval fund shares is based on its NAV, it is permissible for an interval fund to impose a redemption fee of up to 2%.

Like mutual funds, closed-end funds hold a number of underlying securities. Also like mutual funds, all closed-end funds carry risks, including loss of your investment principal. The risks associated with a particular closed-end fund will correlate to those of its strategy, and underlying investments and markets. Leveraged closed-end funds also carry greater risk than non-leveraged funds. The strategies, approaches and risks of various closed-end funds differ significantly, but as a general matter, they are often considered to be higher-risk investments than most mutual funds. Likewise, if you sell a closed-end fund on the secondary market, the price you receive may be lower than you paid, and lower than its NAV at the time of sale. Interval funds have limited liquidity also, as described above.

An important aspect of closed-end fund (including interval fund) investing is to read the fund’s prospectus carefully before investing. Each prospectus contains important information that will help you make an informed decision about an investment in the fund. In deciding whether to invest in a closed-end fund (including an interval fund), you should consider several different factors, including the fund’s investment objective, investment strategies and risks, the investment adviser responsible for the management of the fund’s assets, and the fees and expenses associated with an investment in the fund.

#### Fees and Costs

Where D.A. Davidson acts as a distributor of “new issue” closed-end fund or interval fund shares on the primary market, we will receive a sales commission (a “sales charge”) if we sell shares of the fund to you. The rate of sales commissions we receive from a particular closed-end fund or interval fund will differ from fund to fund, but in most cases (expressed as a percentage of the purchase price you pay for your shares) it would be between 1.75% and 3.00%. In all cases, the amount of our sales commission will be disclosed in the fund’s prospectus, which will be provided to you in connection with any primary market purchase.

Where we buy or sell previously-issued shares of closed-end funds on your behalf on the secondary market, we charge the same commission rates as we charge for equities (as well as secondary market trades of ETFs, ETNs and traded REITs). Therefore, please refer to our “Commission Rates – Equities and Other Exchange-Traded Securities” table above (under “Equities”) for a summary of our secondary market commission rates on closed-end funds. Again, interval funds do not typically trade on the secondary market, but they may impose redemption fees of up to 2.0% when you redeem your shares with the fund.
Closed-end funds, including interval funds, also deduct other ongoing fees and expenses, such as management fees, from fund assets. In addition, the ongoing fees and expenses of many interval funds include 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the interval fund, and include marketing and advertising expenses. These ongoing fees and expenses, which are reflected in the fund’s overall expense ratio, are typically used to pay for the fund’s continued operations, such as paying the fund’s investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses.

These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

**Expense ratios** of various closed-end funds (including interval funds) are not standard terms and can differ very significantly. As a general illustration:

- Most closed-end funds (other than interval funds) have expense ratios that are above 1.0%, and may be as high as 3.0% depending on their strategies and certain other factors.

- Interval funds often invest in “alternative” asset classes and feature complex strategies. Interval fund expense ratios are generally higher than those of other funds, and often range between 1.75% and 3.0%, and sometimes even somewhat higher.

**More Information**

More information on the sales charges, ongoing fees and expenses, and overall expense ratio for a specific closed-end fund, including an interval fund, is available in the fund’s prospectus. You can request a copy of a fund’s prospectus from your financial professional. You will be provided with a prospectus in connection with any closed-end fund (including any interval fund) that we sell to you on the primary market.

If your financial professional recommends that you purchase shares of a previously-issued closed-end fund on the secondary market, he or she will either provide you with a prospectus (if available) or discuss the specifics of the fund with you orally, including the fund’s strategy and primary risks, and the principal fees and costs you would pay in connection with an investment in the fund.

For more information about closed-end fund investing generally, such as certain material risks, types and characteristics, and other important considerations, including the compensation that our Firm and financial professionals receive for selling closed-end funds, and the conflicts of interest those payments create, we encourage you to read Closed-End Fund and Interval Fund Investing, which is available at dadavidson.com/Disclosures.

**4.8. Exchange-Traded Funds (ETFs)**

**Characteristics and Risks**

The Firm offers a wide range of exchange-traded funds (ETFs). Shares in an ETF represent an interest in a portfolio of securities, and usually track an index.

ETFs possess characteristics of both mutual funds and closed-end funds. Similar to mutual funds, an ETF pools assets of multiple investors and invests those pooled assets according to its investment objective and investment strategy. ETFs also continuously offer their shares for sale like mutual funds. In addition, ETFs share certain characteristics with closed-end funds, namely that the fund’s shares trade on a secondary market and may trade at prices higher or lower than the fund’s NAV. However, ETFs do not sell or redeem individual shares. Instead, certain “authorized participants” have contractual arrangements with the ETF to purchase and redeem ETF shares directly from the ETF in blocks called “creation units” and “redemption units,” respectively, where each creation or redemption unit usually represents 50,000 shares of the ETF. After purchasing a “creation unit,” the authorized participants generally sell the ETF shares in the secondary trading market.

This creation and redemption process for ETF shares is designed to help keep the market price of ETF shares at or close to the NAV per share of the ETF. For example, if ETF shares are trading at a price below the NAV, an authorized participant can purchase ETF shares in secondary market transactions, and – after accumulating enough shares to compose a “redemption unit” – redeem them from the ETF for the more valuable underlying securities. The authorized participant’s purchase of ETF shares in the secondary market would create upward pressure on ETF share prices, which would bring them closer to the NAV per share of the ETF.

As a general matter, because ETFs hold a number of underlying securities (and typically track an index), they are better diversified (and therefore should be less volatile) than investments in individual securities such as stocks and bonds. However, all ETFs carry risks, including loss of your investment principal. The risks associated with a particular ETF will correlate to those of its underlying investments and markets. For more information on the risks associated with a particular ETF, you should review the ETF’s prospectus and/or ask your financial professional.

**Fees and Costs**

Where we buy or sell ETF shares on your behalf on the secondary market, we charge the same commission rates as we charge for equities (as well as secondary market trades of closed-end funds, ETNs and traded REITs). Therefore, please refer to our “Commission Rates – Equities and Other Exchange-Traded Securities” table above (under “Equities”) for a summary of our commission rates on ETFs.
ETFs also deduct ongoing fees and expenses, such as management fees, from ETF assets. These ongoing fees and expenses are used to pay for the ETF’s continuing operations, such as paying the ETF’s investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. However, ETFs generally have lower annual expenses (expense ratios) than mutual funds. For example, ETFs do not have 12b-1 Fees, and are not usually actively-managed.

These ongoing fees and expenses are typically charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. Neither D.A. Davidson nor our financial professionals receive any portion of these fees.

Expense ratios of various ETFs are not standard terms and can vary significantly. As a general illustration, the average ETF expense ratio is approximately 0.4% to 0.5%, with some being lower or higher.

More Information

More information about a particular ETF, including its ongoing fees and expenses and overall expense ratio, is available in the ETF’s prospectus. If your financial professional recommends that you buy shares of an ETF (a secondary market trade), he or she will either provide you with a prospectus (if available) or discuss the specifics of the ETF with you orally, including the ETF’s strategy and primary risks, and the principal fees and costs you would pay in connection with an investment in the ETF.

For more information about ETF investing generally, such as certain material risks, types and characteristics, and other important considerations, including the compensation that our Firm and financial professionals receive for selling ETFs, and the conflicts of interest those payments create, we encourage you to read Exchange-Traded Fund (ETF) Investing, which is available at dadavidson.com/Disclosures.

4.9. Exchange-Traded Notes (ETNs)

Characteristics and Risks

The Firm offers a number of exchange-traded notes (“ETNs”). ETNs are a type of debt security issued by certain financial institutions. However, 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. If the issuer becomes bankrupt or insolvent, it is likely that investors will lose substantially all of their amounts invested. ETNs trade on exchanges, like ETFs. However, and despite their similar names, there are also important differences between ETNs and ETFs. Unlike ETFs and other funds, ETNs do not actually own or hold any underlying securities. Likewise, ETNs 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 target markets and indices, and the credit risk (default risk) associated with their issuers. These risks can be significant, and include the loss of your investment principal.

An important aspect of ETN investing is to read the ETN’s prospectus carefully before investing. Each prospectus contains important information that will help you make an informed decision about an investment in the ETN. In deciding whether to invest in an ETN, you should consider several different factors, including the associated costs, the underlying index or market benchmark and associated risks, the financial institution issuing the ETN, whether you intend to hold the ETN to maturity (and the likelihood that it will have only a thin trading market), and whether or not it is leveraged (a leveraged ETN will generally be higher-risk).

Fees and Costs

Where we buy or sell ETNs on your behalf, we charge the same commission rates as we charge for equities (as well as ETFs and secondary market trades of closed-end funds and traded REITs). Therefore, please refer to our “Commission Rates – Equities and Other Exchange-Traded Securities” table above (under “Equities”) for a summary of our commission rates on ETNs.

More Information

Additional information about a specific ETN is provided in the ETN’s prospectus. You can request a copy of an ETN’s prospectus from your financial professional, and if your financial professional recommends an ETN for your brokerage account, you will be provided with a prospectus.
For more information about ETN investing generally, such as certain material risks, strategies and characteristics, and other important considerations, including the compensation that our Firm and financial professionals receive for selling ETNs, and the conflicts of interest those payments create, we encourage you to read Exchange-Traded Note (ETN) Investing, which is available at dadavidson.com/Disclosures.

4.10. Unit Investment Trusts (UITs)

Characteristics and Risks
The Firm offers a number of unit investment trusts (“UITs”). UITs offer a “buy-and-hold” philosophy on investing. Individual UITs invest in a portfolio of underlying securities (for example, stocks and bonds) for a predetermined period of time or “maturity,” typically from 13 months to five (5) years. Investors purchase units (similar to shares) of a UIT portfolio, which represent an ownership interest in the underlying assets contained in the portfolio. In that way, UITs are similar to mutual funds and other types of funds, but a key difference is that the underlying securities held in a UIT are fixed at the time the UIT is created, and do not change during the UIT’s term, except where a security held in a UIT portfolio ceases to exist during the UIT’s term. Unlike other types of funds, a UIT does not have a Board of Directors or officers, or an investment adviser that manages the UIT’s underlying assets during its life.

While our Firm offers a number of UITs within different asset classes and strategies, most of the UITs we sell are sponsored by First Trust Portfolios L.P. ("First Trust"). Generally, we do not offer UITs from a broad range of sponsors.

As a general matter, because UITs hold a number of underlying securities, they are better diversified (and therefore should be less volatile) than investments in individual securities such as stocks and bonds. However, all UITs carry risks, including loss of your investment principal. The risks associated with a particular UIT will correlate to those of its strategy, and underlying investments and markets. Leveraged UITs are also higher-risk than non-leveraged UITs. Likewise, because the assets of UITs are not actively managed, no action will be taken in response to, or in anticipation of, market changes or other events that are likely to affect their investment portfolios.

An important aspect of UIT investing is to read the UIT’s prospectus carefully before investing. Each prospectus contains important information that will help you make an informed decision about an investment in the UIT, including its investment objective, risks, what securities will be placed in the UIT, its maturity, and what fees and expenses will be charged to the UIT’s assets.

Upon a UIT’s maturity, an investor typically has three options. One is to receive the proceeds based on the value of the investment. An investor could also roll over into a newly issued UIT. Another option that may be available to investors in limited circumstances is to receive proportionate shares of the securities held in the portfolio.

Fees and Costs
You will pay an up-front charge when you buy units in a UIT, in addition to the cost of your units in the UIT. A portion of this charge is kept by the UIT’s sponsor, and a portion is paid to our Firm as an underwriting discount (similar in some ways to a mark-up). These charges are subtracted from the Net Asset Value (“NAV”) of the UITs we sell, meaning they are reflected as reductions to the value of the investor’s portfolio within the UIT. They usually consist of two parts:

- First, a “deferred sales charge” is assessed up-front when the UIT is purchased. To allow more money to remain invested initially in the UIT, the deductions to pay this charge are deferred and taken out of the UIT in installments at some point later in its life.
- Second, a “creation & development fee” or “C&D Fee” is also deducted up-front when the UIT is purchased.

These charges, and the portions of the charges that are paid to D.A. Davidson for selling UITs, are as follows:

<table>
<thead>
<tr>
<th>UIT Maturity</th>
<th>Charges Deducted from NAV</th>
<th>Portion of Charges Paid to D.A. Davidson</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 Months or 15 Months</td>
<td>1.85% Total (1.35% Deferred Sales Charge + 0.50% C&amp;D Fee)</td>
<td>1.25%</td>
</tr>
<tr>
<td>2 Years</td>
<td>2.75% Total (2.25% Deferred Sales Charge + 0.50% C&amp;D Fee)</td>
<td>2.00%</td>
</tr>
<tr>
<td>5 Years</td>
<td>3.95% Total (3.45% Deferred Sales Charge + 0.50% C&amp;D Fee)</td>
<td>3.00%</td>
</tr>
</tbody>
</table>

Selling or redeeming your interests in UITs before their maturity date, followed by the purchase of newly-issued UITs, will cause you to incur sales charges with greater frequency.

In addition to these charges, D.A. Davidson, like certain other broker-dealer firms, receives additional compensation from certain UIT sponsors. This additional compensation, which is a type of revenue sharing called a "volume concession," is based upon the total volume of the sponsor’s UITs that are sold by D.A. Davidson during the preceding 12-month period (subject to minimum total sales volume requirements over the same 12-month period). These volume concessions, if earned by D.A. Davidson, are paid to us monthly. We do not share any volume concessions our Firm receives with our financial professionals. Please refer to the Exhibit attached to this Reg BI Disclosure for more information.
UITs also deduct other fees and expenses from trust assets, such as organizational expenses and operating expenses. These fees and expenses include portfolio supervision, recordkeeping, administrative fees, and trustee fees. However, UITs typically do not deduct a separate management fee because the UIT’s investment portfolio is not actively managed.

The organizational expenses and ongoing operating expenses associated with a particular UIT can vary significantly. However, as a very general illustration, a typical UIT sold by D.A. Davidson might charge:

- Organizational expenses equal to 0.30% of the UIT’s assets, up-front only, plus
- Operating expenses equal to 0.25% of the UIT’s assets annually (each year, until maturity).

Specific information about all costs and fees associated with a particular UIT is set forth in the UIT’s prospectus. You will be provided with a prospectus in connection with any purchase of a UIT.

More Information
More information about a specific UIT, including its investment holdings, sales charges, organizational expenses, and ongoing fees and expenses, is available in the UIT’s prospectus. You can request a copy of a UIT’s prospectus from your financial professional, and if your financial professional recommends a UIT for your brokerage account, you will be provided with a prospectus.

For more information about UIT investing generally, such as certain material risks, strategies and characteristics, and other important considerations, including the compensation that our Firm and financial professionals receive for selling UITs, and the conflicts of interest those payments create, we encourage you to read Unit Investment Trust (UIT) Investing, which is available at dadavidson.com/Disclosures.

4.11. Real Estate Investment Trusts (REITs)

Characteristics and Risks
Our Firm offers a number of real estate investment trusts (“REITs”), which are companies that either own (and often operate) income-producing real estate assets such as office buildings, shopping malls, apartments, hotels, resorts, self-storage facilities, and warehouses, or finance these types of real estate assets through secured loans. Unlike other real estate companies, REITs do not develop real estate properties to resell them, but rather buy and develop properties primarily to operate them as part of their own investment portfolio.

Qualifying a real estate company as a REIT under the Internal Revenue Code means that the company (REIT) generally incurs no income tax at the corporate level.

As an investment for a retail client, REITs provide exposure to the investment performance of commercial real estate. However, the type(s) of underlying real estate holdings vary significantly from REIT to REIT. Also, REITs are intended to be income-producing investments - by law, REITs are generally required to pay out 90% of their taxable income to shareholders as dividends.

This discussion focuses on publicly-traded REITs (traded REITs), which are usually listed for trading on a national securities exchange. Most of the REITs we offer and recommend to retail clients are publicly traded REITs. We may offer a small number of private, non-traded real estate funds that may be REITs, or may own and hold REITs for tax structuring purposes (See “Alternative Investments” below). Traded REITs can be bought and sold on a secondary trading market, like equities, and in most cases the market price for shares of traded REITs is readily available.

All REITs carry risks, including loss of your investment principal. REITs that specialize in a particular type of real estate asset are typically expected to be more volatile than REITs with higher degrees of diversification. However, all REITs are susceptible to losses due to economic factors that adversely affect real estate markets. Also, if you sell REIT shares on the secondary market, the price you receive may be less than you paid. Particularly during periods of rising interest rates, demand for REITs (and thus, REIT prices) tend to fall as investors increasingly seek bond investments instead.

An important aspect of REIT investing is to read the REIT’s prospectus carefully before investing. Each prospectus contains important information that will help you make an informed decision about an investment in the REIT. In deciding whether to invest in a REIT, you should consider several different factors, including the type of REIT, the type(s) of real estate or mortgages it invests in (and their respective risks), and the fees and expenses associated with an investment in the REIT.

Fees and Costs
Where D.A. Davidson acts as a distributor of “new issue” shares of REITs (for example, through an IPO), we will receive a sales commission (or “sales charge”) if we sell shares of the REIT to you. The rate of sales commissions we receive from a particular REIT will vary, but typically (expressed as a percentage of the purchase price you pay for your shares) it would be between 3% and 7%. In all cases, the amount of our sales commission will be disclosed in the REIT’s prospectus, which will be provided to you in connection with any primary market purchase.
For example, imagine you apply $10,000 toward shares in a public offering of a REIT that assesses a 2.50% sales commission. Depending on the specifics (as set forth in the offering document), either:

- $9,750 will be invested in the REIT, and the sales commission will be the remaining $250 (2.50% of $10,000), or
- $9,756.10 will be invested in the REIT, and the sales commission will be the remaining $243.90 (2.50% of $9,756.10)

Where we buy or sell previously-issued shares of traded REITs on your behalf on the secondary market, we charge the same commission rates as we charge for equities (as well as secondary market trades of ETFs, ETNs and closed-end funds). Therefore, please refer to our “Commission Rates – Equities and Other Exchange-Traded Securities” table above (under “Equities”) for a summary of our secondary market commission rates on REITs.

Also, REITs bear the fees and expenses associated with acquiring, operating, and disposing of their assets, and certain other activities. If you own shares in a REIT, you will pay these fees and expenses indirectly because they impact the profitability of the REIT and the value of your shares.

More Information
More information on a specific REIT’s type and approach, sales charges, ongoing fees and expenses, and other important information is available in the REIT’s prospectus. You can request a copy of a REIT’s prospectus from your financial professional. You will be provided with a prospectus in connection with any REIT that we sell to you on the primary market.

If your financial professional recommends that you purchase shares of a REIT on the secondary market, he or she will either provide you with a prospectus (if available) or discuss the specifics of the REIT with you orally, including the REIT’s type and investment objective, type(s) of holdings and primary risks, as well as the principal fees and costs you would pay in connection with an investment in the REIT.

For more information about REIT investing generally, such as certain material risks, types and characteristics, and other important considerations, including the compensation that our Firm and financial professionals receive for selling REITs, and the conflicts of interest those payments create, we encourage you to read Real Estate Investment Trust (REIT) Investing, which is available at dadavidson.com/Disclosures.

4.12. Alternative Investment Funds

Characteristics and Risks
Our Firm offers a very limited number of “alternative” investment funds to eligible investors, in two basic categories:

- **Hedge funds**, which are typically private (non-registered) funds having investment strategies that are not intended to correlate to the returns of the broader markets, such as long/short equity, event-driven, arbitrage and private credit strategies, as well as multi-strategy hedge funds and hedge funds-of-funds.

- **Private markets/real estate funds**, which are also private (non-registered) funds having investment strategies that are not intended to correlate to the returns of the broader markets, such as private equity/buyout, direct lending, and private real estate strategies (which may be non-traded REITs or may own/hold non-traded REITs for the income producing assets within their portfolios, but may also pursue leveraged real estate speculation or development and other strategies).

Alternative investment funds are generally “private placements” that are exempt from registration as investment companies under federal securities laws, and are subject to only very limited regulatory oversight. They are intended to complement other portions of the investment portfolios of certain sophisticated investors, and to provide opportunities for potentially enhanced returns, additional diversification and overall portfolio risk hedging.

However, they likewise present additional risks, costs and complexities. The potential risks associated with different alternative investment funds vary quite significantly, but in all cases include loss of your investment principal. For example, many alternative investment funds utilize leverage that may exceed the level of borrowing that other funds would legally be permitted to use. And, the strategies employed by various alternative investment funds may be more likely to result in large, abrupt losses (even where the broader markets are relatively stable). As a general matter, you should understand that alternative investment funds are considered speculative (high-risk) investments, and likewise are typically much less liquid than most other funds. For example, alternative investment funds often prohibit investors from withdrawing any money for certain periods, or impose additional charges for early withdrawals (sometimes referred to as “hard” and “soft” lock-ups, respectively). Even after any lock-up periods have expired, they often permit withdrawals only periodically (for example, quarterly) and in limited amounts. In short, it can be very difficult to exit alternative investment funds quickly and without incurring potential losses.

To avoid registration and application of certain federal securities laws, alternative investment funds often must limit eligible investors to those who fall within one or more of the following categories (who are presumed to have the necessary financial sophistication and resources to accept greater risks, and to be less in need of certain legal protections that attach to most investment funds):

- **“Accredited Investors”** – for individual investors, this status generally requires that you either have (1) net worth over $1 million alone or with your spouse (excluding the value of your primary residence) or (2) earned income exceeding $200,000 (or $300,000 together with your spouse) in each of the two prior years, and reasonably expect the same in the current year.

- **“Qualified Purchasers”** – for individual investors, this status generally requires that you own at least $5 million in certain investments.
“Qualified Clients” – for individual investors, this status (which is required in order for the fund’s adviser (asset manager) to receive certain performance-based compensation) generally requires that you either have (1) at least $1 million under the management of the specific adviser or (2) net worth of at least $2.1 million alone or with your spouse (excluding the value of your primary residence).

Your D.A. Davidson financial professional can help you determine whether or not you are eligible to invest in certain alternative funds we offer, and whether or not such an investment would be an appropriate complement to the more traditional investments in your portfolio.

Fees and Costs
If we sell you interests in a hedge fund or private markets/real estate fund, we will typically receive a sales commission from the fund of up to 3.0% of the amount of your investment. We could also receive a “trailing” commission of up to 1.25% for each year you stay in the fund. If your D.A. Davidson financial professional recommends an alternative investment fund for you, you will be provided with the fund’s offering document which contains more details about the specific compensation we would receive.

On an up-front and ongoing basis, the fees and costs associated with alternative investment funds are often higher than many other types of investment funds as well. For example, while the fees payable to the fund’s adviser (asset manager) or general partner vary significantly from fund-to-fund, a typical hedge fund might impose a 2.0% annual investment management fee in addition to a performance fee equal to 20% of net appreciation (sometimes referred to as a “2 and 20” fee structure).

In addition to management fees and other expenses, the asset manager or general partner of a private markets/real estate fund may be entitled to retain a portion of the fund’s profits, sometimes referred to as a “carried interest.”

In addition to these fees and expenses, the fund’s offering document will describe the organizational and ongoing/operational fees and expenses associated with the fund as well.

More Information
More information on a specific hedge fund’s or private markets/real estate fund’s terms, structure, strategy and approach, liquidity, management, principal risks, fees and costs, and other important information is available in its offering document. We strongly recommend that you read the offering document carefully before deciding to invest. You can request a copy of a fund’s offering document from your financial professional. If your D.A. Davidson financial professional recommends an alternative investment to you, you will be furnished with a copy of the offering document.

4.13. Variable Products

Characteristics and Risks
The Firm offers a limited selection of variable annuities and variable life insurance policies. For simplicity, we will refer to them together as “variable products.” Variable products are issued by different insurance companies and will be in the form of a contract or policy between you and the insurance company. There are differences from one variable product to the next in the features, benefits, fees and costs of the product and in minimum and maximum premium amounts. Below is general information about most variable products. Information about the particular features, benefits, risks, fees and costs for a specific variable product can be found in the prospectus for that product. You will receive a copy of the prospectus for the variable product that your financial professional recommends to you.

- **Variable annuities** can help with saving for retirement. Funds invested in these annuities can grow tax-deferred. This means you will pay no federal taxes on the income and investment gains on the funds you invest in your annuity until you make a withdrawal, receive income payments, or a death benefit is paid. When you withdraw your funds, however, you will pay tax on the gains at ordinary federal income tax rates rather than lower capital gains rates. When you start taking income payments, you can select payment options that will guarantee you payments for as long as you live. Some annuities offer additional features and guarantees, available as options or riders.

- **Variable life insurance** provides life insurance protection (in other words, a death benefit to your survivors) and also allows you to build up a cash value that can grow tax-deferred. Most variable life insurance policies allow you to take out loans against your cash value and to make withdrawals (as long as the remaining cash value is sufficient to keep the policy in force). You can also terminate your policy by surrendering it and receiving the remaining cash value. Terminating your policy will terminate your death benefit protection. Most insurance companies offer riders and other options with their variable life insurance policies, such as disability insurance, income benefits or accelerated death benefits.

When you purchase a variable annuity or variable life insurance product, your insurance premium contributions (net of any fees and charges deducted from premiums) are invested in the product’s underlying investment options – typically sub-accounts that are similar to mutual funds – that you select. The value of your investment – usually referred to as your cash value – will fluctuate as the values of the underlying mutual funds increase or decrease.

Most insurance companies impose a minimum requirement on the initial premium. In the case of variable life insurance, you will likely be required to make premium payments periodically to keep the policy in force. While you may have some flexibility in the amount or timing of these periodic premium payments, you should consider whether you can afford to continue making premium payments when deciding to purchase a variable life insurance policy. If you fail to make sufficient payments to keep the policy in force, the policy will lapse (that is, terminate without value) and you will no longer have any death benefit protection.

Variable products are not short-term savings vehicles. Withdrawing funds or surrendering a variable product in the short term after purchase will likely trigger surrender fees and charges, and may also trigger tax penalties. You can lose the money you invest in variable
products, including potential loss of your initial investment, due to poor performance of the investment options you select and/or the cumulative impact of fees and charges on your cash value. Also, as is the case with any annuity or insurance product, a risk of variable products is that the issuing insurance company could become bankrupt or insolvent, and the full amount of your benefits may not be protected by state insurance agencies.

**Fees and Costs – Premium Payment Deductions**
For some variable products, the insurance company deducts a fee from your premium payment, meaning that only the “net” premium amount is invested or allocated. In the case of variable annuities, the fee deduction is usually to cover a state insurance premium tax. For variable life insurance, the fee deduction can also cover the insurer’s sales expenses.

**Fees and Costs – Surrender and Withdrawal Charges**
Most variable products impose a surrender charge if you surrender your variable product or make a withdrawal of your cash value during the surrender charge period. This surrender charge and the surrender period are described in the product prospectus. Surrender charge periods vary by variable product, but are generally around six to eight years for variable annuities, even though they sometimes may range up to 15 years on some variable life insurance policies.

The surrender charges also vary by variable product, and generally begin around 7.0% of the purchase payment in year one and end around 1.0% of the cash value in the final year of the surrender charge period. Typically, the surrender charges decrease over the duration of the surrender charge period, with the higher surrender charges applying to surrenders and withdrawals made at the beginning of the surrender charge period, and the lower surrender charges applying to surrenders and withdrawals made toward the end of the surrender charge period. Tax penalties can also apply to surrenders or withdrawals made before age 59½.

**Fees and Costs – Ongoing Fees and Expenses**
Insurance companies deduct fees and expenses from your cash value to cover fees and expenses. These ongoing fees and expenses commonly include mortality and expense (M&E) risk fees, cost of insurance fees (assessed under variable life insurance policies), administration fees, transaction fees, and fees associated with certain optional riders. The M&E risk fees are calculated as a percentage of your insurance coverage or account value and are described as an annualized rate charged against assets – in many cases, they range from between 0.5% and 1.5%.

However, some other fees, such as administration or transaction fees, are fixed amount fees charged annually or when specific transactions occur and are deducted from your cash value. The cost of insurance fees charged on variable life insurance is typically calculated by applying a rate based on your underwriting classification to the “net amount at risk” (the difference between your product’s death benefit and its cash value). These fees usually are deducted from your cash value on an ongoing basis. If you add riders to your variable annuity or variable life insurance policy, the fees for those riders will be deducted from your cash value. The additional costs for optional riders, like the provisions in the riders themselves, can vary significantly. Generally, the cost of optional riders will be between .15% and 1.55%, but you should review the product’s prospectus carefully to understand the specifics.

In addition, you will indirectly pay the ongoing fees and expenses for the mutual funds that are the underlying investment options for your variable product in which you invest. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include the mutual fund’s management fees, servicing fees, and 12b-1 fees, and are typically charged as an annualized rate against fund assets. Including all of the above fees, the total expense ratios (in other words, the annual operating expenses expressed as a percentage) of the investment options range in most cases from 0.6% to 3.0%.

The commissions, surrender charges, and ongoing fees and expenses associated with variable products vary by insurance company and the type of variable product. More information regarding the commissions, surrender charges, and ongoing fees and expenses for variable products is available in the variable product’s prospectus, which we strongly encourage you to read carefully.

**Fees and Costs – Our Commissions**
When you purchase a variable product, the issuing insurance company will pay a commission to D.A. Davidson. While you do not pay this commission directly, the insurer factors this commission into the product’s fees and costs in the case of variable products. In this way, you indirectly pay the commission. You will not receive a trade confirmation setting forth the commissions we receive for selling variable products (or other annuities and insurance policies).

We receive commissions from insurers for our sales efforts, and for assisting you with the insurance application and the underwriting and delivery processes related to the purchase of the variable product. And, as is the case for virtually all sales commissions and charges we receive for product sales, our Firm shares a portion of this commission with your financial professional.

Insurance commissions we receive vary based on the variable product and insurance company, and we receive somewhat higher commission rates for selling some variable products than for others, which creates a conflict of interest for us. We also receive higher commissions when you pay higher premiums, which provides a financial incentive for us to recommend purchases of additional annuity benefits, or insurance coverage, services and riders. In addition, in the case of life insurance, the commissions may vary between initial premium payments and subsequent premium payments. Although insurance commissions vary, we typically receive between 5.25% and 5.50% (of premiums paid) for selling a variable annuity product. A variable life product may have commission of 80% to 90% of the first premium years depending on product. We will typically receive a commission with each additional purchase you make.
For example, if you purchase a $10,000 variable annuity from an insurer that pays us a 5.25% commission, we will receive, and you will indirectly pay, an initial commission of $525. If you contribute another $5,000 to your variable annuity contract as an additional payment, we will receive, and you will indirectly pay, a subsequent commission of $262.50 (5.25% of $5,000).

**More Information**

More information about a specific variable product, including the insurance commissions and other fees and expenses built into the cost of the insurance, is available in the variable product’s prospectus. You can request a copy of a variable product’s prospectus from your financial professional. If your financial professional recommends a variable product for you, you will be furnished with a prospectus.

In addition, more information on the mutual funds underlying the variable product’s investment options, including the mutual fund’s ongoing fees and expenses and overall expense ratio, is available in the mutual funds’ prospectuses. You can request a copy of underlying mutual fund prospectuses from your financial professional.

For additional information about fees and costs associated with a particular mutual fund, we also encourage you to look up the fund on FINRA’s Fund Analyzer tool (you can search by fund name, fund family, ticker or keywords), which is available at [tools.finra.org/fund_analyzer](http://tools.finra.org/fund_analyzer).

**Non-Variable Insurance Products.** We can also make recommendations to you about non-variable insurance products, such as fixed-rate annuities, fixed-indexed annuities, and non-variable life insurance policies. We receive insurance commissions and similar payments (and thus, have similar conflicts of interest) in connection with selling non-variable products as well.

For more information about all of the annuities and insurance policies we offer (both variable and non-variable), we encourage you to read Life Insurance and Annuities, which is available at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

**5. Additional Information**

This Reg BI Disclosure reflects information that is complete and current as of the effective date on its cover. If we make changes that would require us to send you updated disclosures, we will send them to you by mail or electronically consistent with your elections and the SEC’s requirements. We will amend this document from time to time and you will be bound by the amended disclosures if you continue to accept our services after we deliver the amended disclosures to you.

You may request up-to-date information by speaking with your financial professional or viewing our disclosure documents online at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).
1. The following investment and insurance product sponsors provide our Firm with payments and reimbursements in support of our financial professional education efforts and marketing efforts:* 
   - **UITs:** First Trust Portfolios, L.P.
   - **Variable products and other insurance products:** Jackson National, LFS Insurance Services, Lincoln Financial Group, Nationwide, New York Life, Transamerica

   * Typically, the payments and reimbursements our Firm receives in support of our education and marketing efforts are not directly tied to specific product sales or business volume. These payments and reimbursements are not usually determined by formula and can differ significantly over time. However, American Funds (mutual funds) provides us with the highest amounts of these payments and reimbursements, which are determined by formula equal to .008% of assets (excluding advisory retirement plan assets). Under this formula, we received over $200,000 across the Firm in our immediately preceding (2019) fiscal year. In the majority of cases, we expect to receive less than $100,000 of such payments and reimbursements from any single organization during any given fiscal year.

2. The following investment product sponsors provide our Firm with revenue sharing** payments (other than payments in support of our education and marketing efforts, as described above):
   - **UITs (volume concessions):** First Trust Portfolios, L.P., Guggenheim Funds Distributors, LLC, Advisors Asset Management (AAM) Inc., Invesco Capital Markets, Inc.

   ** During our immediately preceding (2019) fiscal year, on a Firm-wide basis we received just under $300,000 in total volume concessions across all UIT sponsors, which is fairly typical for a given year. As a Firm we also receive interest payments from all of the third-party banks who participate in our cash management program. This is described in greater detail in the Cash Management Program Disclosure Statement that has been furnished to you. You may request a current copy from your financial professional.

3. Our Firm offers the following proprietary products*** to retail clients:
   - **Mutual Funds:** Davidson Multi-Cap Core Mutual Fund, which is managed by Davidson Investment Advisors, Inc. (“DIA”)
   - **Alternative Investment Funds:** Concordant Partners, LLC (d/b/a The Concordant Fund), which is a hedge fund managed by financial professionals of D.A. Davidson & Co.

   *** In addition to our proprietary products, our affiliate Davidson Fixed Income Management, Inc. (d/b/a Kirkpatrick Pettis Capital Management, Inc.) receives compensation for providing sub-advisory services to two municipal bond mutual funds sponsored by Aquila Funds – the Tax Free Trust of Oregon and the Tax Exempt Fund of Colorado.

Please note also that Two Oaks Investment Management is owned and operated by two individual financial professionals of our Firm. Two Oaks Investment Management manages the Two Oaks Fund, which is part of the SEC-registered Northern Lights Fund Trust II. It is not a proprietary fund to our Firm. Neither our Firm nor our affiliates own any portion of Two Oaks Investment Management, or provide services to the Two Oaks Fund or the Northern Lights Fund Trust II.

Please note also that San Pasqual Fiduciary Trust Company (“San Pasqual Trust”) is a privately held, California state-chartered financial institution and trust company. Certain D.A. Davidson officers, in their personal capacity, own a minority interest in San Pasqual Trust (the “San Pasqual Owners”). San Pasqual Trust provides trust administration services and but does not manage trust assets. Instead, the company oversees investment managers managing such assets for and on behalf of their clients. San Pasqual Trust also acts as trustee for certain accounts for which D.A. Davidson provides brokerage or investment advisory services. Financial Professionals may refer clients to San Pasqual Trust for trust services, and San Pasqual Trust may allow the Financial Professionals to continue to manage the client’s assets held with D.A. Davidson, but San Pasqual Trust is under no obligation to do so. As a trustee, San Pasqual Trust is also authorized to hire a Financial Professional to manage a trust’s investment assets. The Davidson Owners and D.A. Davidson could benefit indirectly from referrals by each organization to the other, through the fees retained by the firm to whom the client is referred.