
The following is important information regarding investments in Treasury instruments (Treasuries) and other debt securities that are guaranteed by the full faith and credit of the U.S. Government, including information about the compensation that D.A. Davidson & Co. (“D.A. Davidson”) and our financial professionals (together, “we,” “us” or “our”) receive for buying and selling Treasuries and similar bonds, and the conflicts of interest those payments create.

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

Overview of Treasuries and Other U.S. Government Guaranteed Bonds

Treasuries are fixed-income (debt) investments issued and guaranteed by the U.S. Government. Like all debt investments, when you purchase Treasuries, you are lending the investment proceeds to the issuer – the U.S. Government. What differentiates Treasuries from other types of bonds and fixed-income investments is that Treasuries, along with other bonds that are backed by the “full faith and credit” of the U.S. Government, are considered to be free of any Credit Risk. In other words, they are deemed to have no risk of default. For our purposes, “Treasuries” include the following:

- **U.S. Treasury Bills (T-Bills)**, which have maturities of one year or less and do not pay interest; rather, they are sold at a discount from “par value” (face value) and repurchased at par value to create a return for investors.

- **U.S. Treasury Notes (T-Notes)**, which have 2, 3, 5 or 10-year maturities and provide fixed interest (coupon) payments semi-annually.

- **U.S. Treasury Bonds (T-Bonds)**, which are similar to Treasury Notes but have 20 or 30-year maturities.

- **U.S. Treasury Inflation-Protected Securities (TIPS)**, which are designed to protect against loss of value due to inflation. TIPS have 5, 10 and 30-year maturities and established coupon rates, but the principal is adjusted on the basis of the Consumer Price Index (CPI), a common measure of inflation. Once the coupon rate is multiplied by the inflation-adjusted principal, the yielded interest rates are likewise “adjusted” for inflation accordingly.

**GNMA Bonds.** While they are not Treasuries, another form of U.S. Government Guaranteed Bonds are agency bonds issued by the U.S. Government National Mortgage Association (GNMA or Ginnie Mae). These bonds are a special type of mortgage-backed security (MBS) backed by federally-insured loans, for which the U.S. Government guarantees principal and interest payments.

Please note that, despite their similar-sounding names, other agency bonds issued by government-sponsored enterprises like the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are not guaranteed by the full faith and credit of the U.S. government. The carry Credit Risk (in other words, risk of default). If you have questions about whether or not a particular agency bond is guaranteed by the U.S. Government, we encourage you to speak to your D.A. Davidson financial professional.
If your D.A. Davidson financial professional recommends Treasuries or other U.S. Government Guaranteed Bonds for your account, he or she will discuss the specifics of the recommended bonds with you, including any material risks.

**Treasuries and Other U.S. Government Guaranteed Bonds – Our Compensation and Conflicts of Interest**

**Brokerage Accounts.** D.A. Davidson charges “mark-ups” (from the prevailing market price) when Treasuries and other U.S. Government Guaranteed Bonds are purchased, and “mark-downs” when these bonds are sold, within your brokerage account. Mark-ups and mark-downs are generally equivalent to brokerage commissions, meaning they are taken out of the transaction proceeds. Again, a percentage of those mark-ups and mark-downs are paid by D.A. Davidson to your financial professional, according to his or her “production” and our commission grid.

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

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

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

These payments (mark-ups and mark-downs) create conflicts of interest for us. In particular:

- **Volume of Bond Trades.** We receive compensation for each purchase or sale of bonds that occurs in your brokerage account. This creates an incentive for us to recommend that you trade frequently.

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

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

To help manage these conflicts, D.A. Davidson has policies and procedures in place that prohibit our financial professionals from recommending a volume of trading (as to frequency, amount or both) that is excessive under the circumstances, as well as systems to help identify situations where this could be occurring. Recommending excessive trading volume in order to increase brokerage commissions is an abusive practice sometimes referred to as “churning.”
For secondary market trades, we charge the same maximum mark-ups and mark-downs for all Treasuries and other U.S. Government Guaranteed Bonds. We also charge the same maximum mark-ups and mark-downs for these types of bonds as for corporate bonds, municipal bonds, mortgage-backed securities and all other types of fixed-income investments, such as CDs. This is intended to help mitigate the financial incentives that D.A. Davidson and our financial professionals might have to recommend certain types of bonds over other bonds and fixed-income investments.

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

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

If you have questions about the compensation D.A. Davidson or your D.A. Davidson financial professional receives from the sale or purchase of Treasuries and other U.S. Government Guaranteed Bonds, please contact your D.A. Davidson financial professional.

**Treasuries and Other U.S. Government Guaranteed Bonds – Primary Risks**

Treasuries and other U.S. Government Guaranteed Bonds are considered to be among the safest of investments. However, they do carry certain risks. **This discussion is not comprehensive, and we encourage you to discuss the risks associated with investments in Treasuries and other U.S. Government Bond Investments with your D.A. Davidson financial professional.**

**Risks of All Treasuries/U.S. Government Guaranteed Bonds:**

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

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

**Risks of Treasuries/U.S. Government Guaranteed Bonds Other than TIPS:**

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

If you have any further questions, please do not hesitate to ask your D.A. Davidson financial professional.

June 30, 2020