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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

| OMB APPROVAL  |                  |
|---|------------------|
| OMB Number:   | 3235-0123        |
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

| SEC FILE NUMBER |
|-----------------|
| 8-02399         |

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING October 1, 2005 AND ENDING September 30, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: D.A. Davidson & Co.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
8 3rd Street North  
Great Falls MT 59401  
(City) (State) (Zip Code)

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FIRM I.D. NO.

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SECTION 213

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG LLP

(Name - if individual, state last, first, middle name)

175 N 27th Street, Suite 1002 Billings MT 59101  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

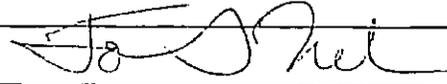
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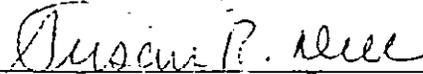
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OATH OR AFFIRMATION

I, Tom S. Nelson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of D.A. Davidson & Co., as of September 30, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Security amounts of principal officers and directors that are  
classified as customer accounts (debits \$934,501, credits \$711,976)

  
Signature  
CFO  
Title

  
Notary Public - Susan R. Dell  
Residing at Great Falls, MT - My commission expires 2/14/2008

This report \*\* contains (check all applicable boxes):

- (a) Facing Page:
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ XXXXXXXXXXXXXXXXXXXXX Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**KPMG LLP**  
Suite 900  
801 Second Avenue  
Seattle, WA 98104

## **Independent Auditors' Report**

To the Board of Directors  
D.A. Davidson & Co.:

We have audited the accompanying statements of financial condition of D.A. Davidson & Co. (a wholly-owned subsidiary of Davidson Companies) as of September 30, 2006 and 2005 and the related statements of income, shareholder's equity and cash flows for the years then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of D.A. Davidson & Co. as of September 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

November 17, 2006

**D.A. DAVIDSON & CO.**  
 Statements of Financial Condition  
 September 30, 2006 and 2005

| <u>Assets</u>  | <u>2006</u>           | <u>2005</u>        |
|--|-----------------------|--------------------|
| Cash and cash equivalents  | \$ 62,516,934         | 25,415,306         |
| Receivables:   |                       |                    |
| Customers, net   | 74,469,262            | 88,739,852         |
| Brokers, dealers and clearing organizations  | 9,107,854             | 10,560,065         |
| Related parties  | 1,743,083             | 1,236,511          |
| Other  | 3,074,902             | 7,422,014          |
|  | <u>88,395,101</u>     | <u>107,958,442</u> |
| Securities at market value:  |                       |                    |
| Municipal bonds  | 16,467,387            | 11,723,029         |
| U.S. Government obligations  | 1,891,256             | 3,045,984          |
| Corporate bonds  | 374,547               | 1,745,269          |
| Common and preferred stock   | 957,411               | 844,398            |
|  | <u>19,690,601</u>     | <u>17,358,680</u>  |
| Exchange memberships at cost (estimated fair market value<br>\$53,500 in 2006 and \$52,000 in 2005)  | 15,750                | 15,750             |
| Equipment and leasehold improvements (less accumulated<br>depreciation and amortization of \$15,609,386 in 2006 and<br>\$13,744,063 in 2005) | 7,701,075             | 7,245,499          |
| Cash surrender value - life insurance  | 730,883               | 706,487            |
| Notes receivable, net  | 11,251,001            | 7,923,693          |
| Goodwill, net  | 2,395,337             | 2,395,337          |
| Other intangible assets, net   | 104,167               | 187,500            |
| Other assets   | 7,554,909             | 10,277,627         |
| Deferred tax asset   | 7,943,912             | 6,625,321          |
|  | <u>37,697,033</u>     | <u>35,377,214</u>  |
|  | <u>\$ 208,299,668</u> | <u>186,109,642</u> |
| <b><u>Liabilities and Shareholder's Equity</u></b>   |                       |                    |
| Liabilities:   |                       |                    |
| Checks in advance of deposits  | \$ 4,610,843          | 5,595,121          |
| Payables:  |                       |                    |
| Brokers, dealers and clearing organizations  | 2,552,062             | 1,627,259          |
| Customers  | 57,307,257            | 53,307,635         |
| Related parties  | 4,458,280             | 3,031,130          |
| Market value of securities sold, but not yet purchased   | 1,029,298             | 952,422            |
| Income taxes   | 1,460,663             | 1,218,721          |
| Accrued payroll and profit sharing   | 42,743,504            | 36,782,262         |
| Other payables and accrued liabilities   | 4,615,422             | 4,018,342          |
| Total liabilities  | <u>118,777,329</u>    | <u>106,532,892</u> |
| Commitments and contingencies  |                       |                    |
| Shareholder's equity   |                       |                    |
| Common stock (\$.10 par value. Authorized 3,000,000<br>shares; 1,000 shares issued and outstanding)  | 100                   | 100                |
| Additional paid-in capital   | 13,222,742            | 12,447,360         |
| Retained earnings  | 76,299,497            | 67,129,290         |
| Total shareholder's equity   | <u>89,522,339</u>     | <u>79,576,750</u>  |
|  | <u>\$ 208,299,668</u> | <u>186,109,642</u> |

See accompanying notes to the financial statements.