



## **Part 2A Appendix 1 of Form ADV**

### ***Wrap Fee Program Brochure***

**D.A. Davidson & Co.  
8 Third Street North  
Great Falls, MT 59401  
800-332-5915**

[dadavidson.com](http://dadavidson.com)

**December 20, 2024**

This wrap fee program brochure provides information about the qualifications and business practices of D.A. Davidson & Co. If you have any questions about the contents of this brochure, please contact us at 406-727-4200 or 800-332-5915.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about D.A. Davidson & Co. is available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). You can search that site by our firm's CRD number, which is 199.

## **Item 2      Material Changes**

A summary of the material changes made to the D.A. Davidson & Co. (“D.A. Davidson”) ADV Part 2A-1 Wrap Fee Program brochure (the “Brochure”) will be published in a separate document that will be distributed to clients who received the previous version of the Brochure and continue to have an advisory account with D.A. Davidson.

## Item 3 Table of Contents

<b>Item 2</b>	<b>Material Changes .....</b>	<b>1</b>
<b>Item 3</b>	<b>Table of Contents .....</b>	<b>2</b>
<b>Item 4</b>	<b>Services, Fees and Compensation.....</b>	<b>4</b>
	Scope of Services and Applicable Standards of Care.....	4
	Portfolio Management Services.....	6
	Wrap Fee Programs .....	7
	Managed Funds Portfolios ("MFP") .....	7
	Russell Investments Model	
	Strategies ("RMS") .....	8
	Separate Account Management ("SAM") .....	9
	Managed Account Consulting ("MAC") .....	10
	Unified Managed Account ("UMA") .....	11
	Paragon .....	13
	Paragon CWAM .....	14
	Choice .....	14
	Additional Program Information .....	15
	Fees .....	16
	Additional Fee Information.....	18
<b>Item 5</b>	<b>Account Requirements and Types of Clients .....</b>	<b>21</b>
	Minimum Account Size Requirements.....	21
	Types Of Clients .....	21
<b>Item 6</b>	<b>Portfolio Manager Selection and Evaluation.....</b>	<b>21</b>
	Methods Of Analysis And Strategies By Program .....	22
	Managed Funds Portfolios (MFP).....	22
	Russell Investments Model Strategies (RMS) .....	24
	Separate Account Management (SAM).....	25
	Managed Account Consulting (MAC) .....	27
	Unified Managed Account (UMA) .....	28
	Paragon .....	28
	Paragon CWAM .....	30
	Choice .....	30
	Calculation and Review of Performance as Part of the Diligence Processes .....	31
	Use of Affiliated Funds and Investment Management by Affiliates and Related Persons .....	32
	Advisory Business .....	32
	Performance-Based Fees .....	32

Risk of Loss .....	33
Voting Client Securities.....	35
<b>Item 7 Client Information Provided to Portfolio Managers.....</b>	<b>36</b>
<b>Item 8 Client Contact with Portfolio Managers.....</b>	<b>36</b>
<b>Item 9 Additional Information.....</b>	<b>37</b>
Disciplinary Information .....	37
Other Financial Industry Activities And Affiliations .....	38
Code of Ethics and Personal Trading.....	40
Participation or Interest in Client Transactions .....	40
Brokerage Practices .....	42
Review of Accounts .....	43
Client Referrals .....	44
Other Compensation.....	44
Financial Information .....	49

## Item 4 Services, Fees and Compensation

D.A. Davidson & Co. (“D.A. Davidson” or “the Firm”) is a dually registered investment adviser and broker-dealer with its principal place of business located in Great Falls, Montana. This ADV Part 2A-1 Wrap Fee Program brochure (the “Brochure”) describes the services, fees and other compensation, conflicts of interest, and other information clients should consider regarding D.A. Davidson’s investment advisory wrap fee programs (each, a “Program” and collectively, the “Programs”). Clients should contact their Financial Advisor with any questions.

The information included in this Brochure is current as of the date of this Brochure and is subject to change at D.A. Davidson’s discretion. Clients should retain this Brochure for their records. D.A. Davidson also offers Financial Planning Services and Retirement Plan Services. Each of these services are described in a separate D.A. Davidson ADV Part 2 Firm brochure. Clients may obtain a copy of that brochure by mailing a request to 8 Third Street North, Great Falls, MT 59401, Attn: Compliance Department, or by calling 406-727-4200 or 800-332-5915.

### SCOPE OF SERVICES AND APPLICABLE STANDARDS OF CARE

**Advisers Act Fiduciary Duty.** As a registered investment adviser D.A. Davidson is subject to a fiduciary duty under the Investment Advisers Act of 1940 (the “Advisers Act”), which includes both a duty of care and a duty of loyalty (referred to in this Brochure as the “Advisers Act Fiduciary Duty”). This means D.A. Davidson and D.A. Davidson’s registered investment advisor representatives (each, a “Financial Advisor,” and collectively, “Financial Advisors”) are required to act in the client’s best interest when providing investment advice and managing the client’s Program account. The duty of care requires, among other things, for D.A. Davidson and its Financial Advisors to seek best execution and to provide advice that is in the client’s best interest based on the client’s investment objectives, risk level, investment time horizon, financial information, and other circumstances (collectively, client’s “Investment Profile”) or mandate. The duty of loyalty requires D.A. Davidson to provide full and fair disclosure of, and obtain client’s consent to, conflicts of interest. The duties also require D.A. Davidson to monitor Program accounts, subject to the terms and limitations of each Program.

**Special Rules for Retirement Accounts.** When it comes to retirement and other qualified accounts, including employer-sponsored plans (“plans”), individual retirement accounts (“IRAs”), SEP IRAs, SIMPLE IRAs, Keogh plans, Coverdell education savings accounts, and other similar accounts (collectively, “retirement accounts”) we are “fiduciaries” under Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”) and/or the Internal Revenue Code (the “Code”), when we provide investment advice or manage the client’s Program account. ERISA and the Code limit the types of products and services D.A. Davidson can offer and provide with respect to retirement accounts.

When making recommendations that clients open, rollover or transfer retirement account assets to a Program account, change account types, and regarding the Program, portfolio and investment manager, the Firm relies on Prohibited Transaction Exemption (“PTE”) 2020-02, which allows D.A. Davidson and its Financial Advisors to earn variable compensation for such recommendations subject to certain conditions. PTE 2020-02 requires D.A. Davidson to act in the client’s best interest and not put their interest ahead of clients’ interests when providing these recommendations. Under the PTE 2020-02, D.A. Davidson and its Financial Advisors must also:

- Meet a professional standard of care (give prudent advice);
- Not put the Firm’s financial interests ahead of client’s (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that the Firm and its Financial Advisors give advice that is in client’s best interest;
- Charge no more than is reasonable for the Firm’s services; and
- Give the client basic information about conflicts of interest.

This fiduciary acknowledgment does not create or modify a contractual obligation, or fiduciary status or obligations under state law. This fiduciary acknowledgement does not apply to federal, state, local, non-US or other types of workplace employee benefit plans that are subject to laws other than ERISA or Section 4975 of the Code.

The above acknowledgement applies solely with respect to the following recommendations for advisory accounts (“Covered Recommendations”), as may be applicable:

- Roll Out Recommendations. From time to time, the Firm in coordination with client’s Financial Advisors (and a centralized review team) will provide a written recommendation that client roll out assets from a plan to an IRA.
- Account Type Recommendations at Our Firm. From time to time, the Firm or client’s Financial Advisors will recommend that client open a brokerage or advisory IRA, transfer money between brokerage and advisory IRAs, or transfer money from one Program or portfolio to another within an advisory IRA. Under the Firm’s

Programs the Financial Advisors may recommend that client engage the services of an investment manager for their advisory IRA, which may include one of D.A. Davidson's affiliates.

The above acknowledgement does not apply to other suggestions, recommendations, and services the Firm and its Financial Advisors provide, and are governed exclusively by the terms of clients' other agreements with, and disclosures from, the Firm, as may be applicable. D.A. Davidson refers to these as "Excluded Recommendations and Transactions." Excluded Recommendations and Transactions refer to communications that are not reasonably intended to be viewed or construed as an individualized/personalized suggestion for client to take a particular course of action with respect to their retirement accounts ("General Information and Education") or that are otherwise not to be treated as Covered Recommendations under this disclosure, including, but not limited to:

- General Information and Education about the financial markets, asset allocations, financial planning illustrations and the advantages and risks of particular investments;
- General Information and Education materials about issues and alternatives that should be considered when deciding whether to roll out or transfer retirement account assets to the Firm;
- Transfers of IRA assets held at a financial service company other than the Firm (including directly with an investment product sponsor);
- Recommendations about investments in accounts that are not retirement accounts (i.e., taxable accounts) client maintains with D.A. Davidson or accounts held at other financial institutions;
- Transactions clients enter into without a recommendation from D.A. Davidson or its Financial Advisors, or that are contrary to, or inconsistent with, their recommendation;
- Ongoing recommendations of securities or other transactions or discretionary investment advice through a Program (other than Account Type Recommendations), except as otherwise agreed to in writing in such Program's applicable agreements or disclosures;
- Recommendations or investment advice that the Firm provides to clients with respect to an account that they have at the Firm, which clients choose to implement in another account or at another financial services company without the Firm's written consent; and
- Recommendations that are not fiduciary "investment advice" as defined in Department of Labor regulation section 2510.3-21 (i.e., investment advice for a fee or other compensation rendered on a regular basis pursuant to a mutual understanding that such advice will serve as a primary basis for client's investment decision, and that will be individualized to the particular needs of client's retirement account)

***The Best Interest Standard and Reasonable Compensation.*** The best interest standard under both the Advisers Act Fiduciary Duty and PTE 2020-02 does not require that D.A. Davidson guarantee the performance of any investment or that client's investment objectives will be achieved. In addition, D.A. Davidson and its Financial Advisors may provide recommendations and take actions in connection with the accounts of other clients that may differ from the recommendations and services provided to client. There may be times when D.A. Davidson is legally prohibited from making a recommendation that may be otherwise considered to be in client's best interest, such as due to insider trading. Client understands any recommendations D.A. Davidson or its Financial Advisors make will reflect the information client provides to the Firm about their investment objectives, risk level, investment time horizon, financial information and other circumstances and D.A. Davidson will not be responsible for any information client omits or fails to provide, including changes thereto. D.A. Davidson and its Financial Advisors recommendations and advice will also reflect any limitations client imposes, including through applicable investment restrictions and guidelines. Clients are responsible for notifying D.A. Davidson and their Financial Advisors if their investment objectives, risk tolerance and financial circumstances change. D.A. Davidson and its Financial Advisors will not be responsible for clients' decision to invest or transfer their IRA or employer sponsored retirement plan assets in a manner that is different from, or inconsistent with, D.A. Davidson's recommendations or other advice and guidance, and clients assume the risk of such decision, nor will D.A. Davidson or its Financial Advisors be responsible for clients' delay in implementing a recommendation.

Reasonable compensation under the retirement laws has generally been determined based on the compensation paid or received in an arm's-length transaction considering the nature and extent of all services (including products, features and benefits) provided. This standard does not require D.A. Davidson to offer its services at the lowest cost, or for the least compensation, in the marketplace, or that it offer its services to clients at the same or lower cost or compensation levels than it offers to other clients, including similarly situated clients. Certain clients may have negotiated lower fees and compensation for their accounts than those that apply to client's Program account. By entering into an agreement with D.A. Davidson, client agrees that they believe the fees and other compensation payable for the Firm's services are reasonable in light of the totality of the services provided. If client decides not to use all or some of the services made available, client agrees the Firm has no obligation or responsibility to reduce or lower its fees and compensation during the period those services are available. If client wants to change the services the Firm makes available to them or has any concerns regarding the level of fees their retirement account pays or D.A. Davidson's compensation, client should contact their Financial Advisors immediately.

## PORTFOLIO MANAGEMENT SERVICES

D.A. Davidson sponsors various “wrap fee” Programs, which are described in detail in this Brochure. The term “wrap fee” means D.A. Davidson charges clients an annual fee based on the market value of assets in the client’s account for advisory and most trading execution services. The wrap fee covers investment advice provided by D.A. Davidson’s investment professionals and/or the client’s Financial Advisor, portfolio management services, the execution of client transactions, custody services, account servicing, reporting, monitoring, rebalancing and other services. It also covers the additional fees paid to investment managers utilized in the applicable Program, the Davidson platform fee (as defined below), and D.A. Davidson’s costs for administering the Program.

A recommendation to open or move to an advisory account would be made under the Advisors Act Fiduciary Duty (and for retirement accounts under PTE 2020-02) based on the client’s Investment Profile because the advisory account services and features include one or more of the following: investment management, ongoing account monitoring, periodic rebalancing, financial planning (including estate, wealth or retirement planning), access to affiliated/third-party managers; and the asset-based costs associated with D.A. Davidson’s advisory program(s) are justified by these services and features. The client understands, acknowledges, and agrees the integrity and quality of the recommendations made to the client and ongoing investment management services depends on the accuracy of the information provided by the client, including the client’s Investment Profile.

Alternatively, clients may choose not to enroll in a wrap fee Program and instead to open a brokerage account which charges clients a commission for each transaction undertaken in the account rather than an annual fee. Brokerage accounts at D.A. Davidson do not provide the portfolio management services, monitoring or rebalancing described above. In a brokerage account, the total costs will generally increase or decrease based on the frequency of transactions in the account and the type of securities purchased. A recommendation to open or move to a brokerage account would be made under Regulation Best Interest (and for retirement accounts, also under PTE 2020-02) based on the client’s Investment Profile. The brokerage account services and features include one or more of the following: no account minimums, fees paid on a transactional basis, the ability to maintain concentrated and illiquid positions or certain investments and strategies, the ability to direct their own transactions; and the transaction-based costs associated with a D.A. Davidson brokerage account are justified by these services and features.

Clients are encouraged to carefully consider the differences between brokerage and investment advisory services including D.A. Davidson’s obligations, costs, and the need for the services provided. For additional information, please review the Firm’s Form Client Relationship Summary (“Form CRS”), which provides information about the differences between brokerage accounts and advisory accounts (including Program accounts). Generally, the Firm and its financial professionals have an incentive to recommend investment advisory accounts over brokerage accounts because the Firm and Financial Advisors receive higher fees for advisory accounts than brokerage accounts, and higher fees for some Programs than others. The Firm requires its Financial Advisors to consider a number of factors when recommending an account type, or a change in account type, including, but not limited to, the client’s Investment Profile; whether client is tax-sensitive and needs professional tax-management solutions; client’s investment experience and/or engagement level (i.e., desire and availability to be involved and informed on investment decisions); and client’s anticipated frequency of trading. This is intended to help ensure that the Firm’s account type recommendations to clients are reasonably expected to be cost-effective choices in light of their investment services and needs. Additionally, the Firm does not impose requirements on how many accounts a Financial Advisors must have that are brokerage accounts or advisory accounts, nor incentivize the decision through a different compensation grid.

The Programs D.A. Davidson offers are mostly discretionary (collectively, “Discretionary Programs”) with one Program that is non-discretionary. The Discretionary Programs are: (1) Managed Funds Portfolios (“MFP”); (2) Russell Model Strategies (“RMS”); (3) Separate Account Management (“SAM”); (4) Managed Account Consulting (“MAC”); (5) Unified Managed Account (“UMA”); (6) Paragon; and (7) Paragon CWAM. In the Discretionary Programs client appoints and authorizes D.A. Davidson, its Financial Advisors, Envestnet (defined below) or a third-party investment manager or sub-manager to make investment decisions with respect to the assets in the client’s Program account (including trading authority to buy, sell, or hold securities and the timing of these actions without notice to the client). In the non-discretionary Program, referred to as Choice, client appoints D.A. Davidson to provide investment advice and recommendations for the assets in the client’s Program account, but the client retains full authority over the decisions (including the authority to buy, sell, or hold securities and the timing of these actions).

D.A. Davidson has engaged Envestnet Asset Management, Inc. (“Envestnet”) to act as a platform manager for client’s Program account at the direction of D.A. Davidson, its Financial Advisors or a third-party investment manager or sub-manager (depending on the Program selected) and pays Envestnet for these services. Detailed information regarding each of the Programs that utilize Envestnet is provided in this Brochure. Clients can find information about Envestnet through their disclosure brochure, which is provided when enrolling in the Programs that utilize Envestnet and is available by searching for Envestnet Asset Management at: [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

**Program Enrollment.** Not all Programs, portfolios, and investment managers (as applicable to the SAM, MAC and UMA Programs) are appropriate for each client. Each Program utilizes a different mix of securities among stocks,

bonds, mutual funds, exchange traded funds, unit investment trusts (“UITs”), options, alternative investments and/or structured notes. Each Program is designed to meet differing investment needs and have different levels of services, administration, fees, and expenses. A Financial Advisor will work with clients to recommend a Program, portfolio and investment manager (as applicable to the SAM, MAC and UMA Programs) that is in the client’s best interest based on both the client’s Investment Profile and other preferences they have for the advisory account. Not every Financial Advisor can offer the Choice, UMA Discretion, Paragon, or Paragon CWAM Programs. D.A. Davidson requires its Financial Advisors meet applicable standards set forth by self-regulatory organizations relating to licensing, registration, and continuing education, including successful completion of either the Series 65 or Series 66 and Series 7 exams, as well as internal education and Program requirements.

The Financial Advisor will typically present the Program information to the client with an investment proposal that identifies the specific portfolio model recommended to the client based on the client’s Investment Profile along with the proposed asset allocation and investments to be held in the account. If the client wishes to proceed with the Program, the client will enter into a written Advisory Agreement, which contains specific terms applicable to the client’s advisory relationship with D.A. Davidson (including those regarding custody, brokerage, and administrative services). Information regarding our brokerage services is provided in Item 9 below under Brokerage Practices. In addition, the client will receive a written confirmation (called a “Statement of Investment Selection”) on the opening of their investment advisory account(s), the selected Program, fee schedule and other important account information.

If the client informs D.A. Davidson of any material changes to the information in their Investment Profile, the Financial Advisor will evaluate the updated information and make changes or recommendations as appropriate to help ensure the Program, portfolio, or investment manager (as applicable to the SAM, MAC and UMA Programs) is in line with the client’s Investment Profile and other preference they have for the advisory account. The Financial Advisor is also responsible for annually contacting the client to assess whether there are any updates to the client’s information that would impact their selected Program, portfolio, or investment manager (as applicable to the SAM, MAC, and UMA Programs). The client is responsible for promptly communicating any material changes in the client’s financial situation, Investment Profile, or other account information to D.A. Davidson. Information regarding this process is provided in Item 9 below under Review of Accounts.

## **WRAP FEE PROGRAMS**

### **Managed Funds Portfolios ("MFP")**

*Program and Roles.* The MFP Program offers clients an investment strategy of asset allocation and portfolio investments from a series of proprietary strategic asset allocation model portfolios constructed by D.A. Davidson. Client’s assets will thereafter be managed and implemented in accordance with the agreed upon model portfolio.

D.A. Davidson delegates Envestnet as the platform manager to implement, execute, monitor, and rebalance the client’s Program account.

*Portfolio Construction and Composition.* D.A. Davidson uses a variety of mutual funds, exchange traded funds (“ETFs”), and/or exchange traded notes (“ETNs”) available on the D.A. Davidson platform to build a portfolio of diversified holdings appropriate for clients enrolled in the MFP Program. The MFP Program will use all or a subset of these investments to construct the model portfolios. The MFP Program aims to provide diversification through exposure to different asset classes (such as equities, fixed income, and alternative investments) and investment strategies (such as growth, and income) based on the investment philosophy of D.A. Davidson.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ.

The MFP Program does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken in the MFP Program and the various strategies available is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about mutual funds, ETFs and ETNs, clients should speak with their Financial Advisor.

Davidson Investment Advisers (“DIA”), a D.A. Davidson affiliated investment advisor, also creates certain model portfolios for D.A. Davidson’s use in the MFP Program.

*Monitoring and Rebalancing.* D.A. Davidson reviews the MFP models quarterly and considers whether, based on market fluctuations and other factors, making adjustments to the models is appropriate. Once changes are deemed appropriate, D.A. Davidson delegates Envestnet to implement the changes to client’s Program account without prior notice to the client (including regarding the timing of these changes).

Client’s Program account is monitored daily for deposits and withdrawals (of cash or securities) that cause the assets to deviate over time from the model portfolio. When such deviations become materially significant, the client’s Program account will be rebalanced to align it more closely with the model portfolio.

*Reasonable Investment Restrictions.* A client may contact their Financial Advisor to request a reasonable investment



restriction on the management of their Program account, including with regard to specific securities or industry sectors. Any such request must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the Platform Manager based on the parameters set by the investment manager. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

*Documents Clients Receive.* Upon enrollment, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement. These documents provide detailed information about the MFP Program and the D.A. Davidson Financial Advisor. Once enrolled clients will receive monthly/quarterly account statements/reports.

## **Russell Investments Model Strategies ("RMS")**

*Program and Roles.* The RMS Program offers clients an investment strategy of asset allocation and portfolio investments from a series of model portfolios that are constructed by Russell Investments. Client's assets will thereafter be managed and implemented in accordance with the agreed upon model portfolio.

Russell Investments retains all discretion regarding the model construction and changes to the models, while D.A. Davidson delegates Envestnet as the platform manager to implement, execute, monitor, and rebalance the client's Program account.

*Portfolio Construction and Composition.* Russell Investments uses a variety of mutual funds, ETFs and ETNs, some of which are in the Russell Investment Funds family to build a portfolio of diversified holdings appropriate for clients enrolled in the RMS Program. Russell Investments will use all or a subset of these investments to construct the client's portfolio. The RMS Program aims to provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on the investment philosophy of Russell Investments.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ.

The RMS Program does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken in the RMS Program and the various strategies available is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about mutual funds, clients should speak with their Financial Advisor.

*Monitoring and Rebalancing.* Russell Investments reviews the RMS models periodically and considers whether, based on market fluctuations and other factors, making adjustments to the models is appropriate. Once changes are deemed appropriate, D.A. Davidson delegates Envestnet to implement the changes to client's Program account without prior notice to the client (including regarding the timing of these changes).

Client's Program account is monitored daily for deposits and withdrawals (of cash or securities) that cause the assets to deviate over time from the model portfolio. When such deviations become materially significant, the client's Program account will be rebalanced to align it more closely with the model portfolio.

*Reasonable Investment Restrictions.* A client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account, including with regard to specific securities or industry sectors. Any such request must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the Platform Manager based on the parameters set by the investment manager. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

*Documents Clients Receive.* Upon enrollment, clients will receive this Brochure and the D.A. Davidson Financial Advisor's 2B Brochure Supplement. These documents provide information about the RMS Program (referred to as the Fund Strategist Program in the Envestnet 2A ADV Disclosure Brochure). Once enrolled clients will receive monthly/quarterly account statements/reports.

## Separate Account Management ("SAM")

*Program and Roles.* The SAM Program is offered in two versions: (1) SAM MF/ETF Single Strategy (referred to in this Brochure as "SAM Model") and (2) SAM Equity/Fixed Single Strategy (referred to in this Brochure as "SAM Manager" (together with SAM Model, the "SAM Program").

SAM Model offers clients an investment strategy of asset allocation and portfolio investments from a series of model portfolios that are constructed by an investment manager that is unaffiliated with D.A. Davidson. Client's assets are thereafter managed and implemented in accordance with the agreed upon model portfolio. The investment manager retains all discretion regarding the model construction and changes to the models, while D.A. Davidson delegates Envestnet as the platform manager to implement, execute, monitor, and rebalance the client's Program account.

SAM Manager offers clients an investment strategy of asset allocation and portfolio investments by an investment manager. These investment managers are typically third parties (unaffiliated with D.A. Davidson), but there are also portfolios in SAM Manager that are constructed by D.A. Davidson's Wealth Management Research Department and Davidson Investment Advisers ("DIA"), a D.A. Davidson affiliated investment adviser. Client's assets are thereafter managed and implemented in accordance with the agreed upon portfolio. The role of implementing, executing, monitoring, and rebalancing the client's Program account depends on the investment manager selected and is disclosed to clients in the Statement of Investment Selection. If the investment manager is designated as an Envestnet Model Provider "EMP" in the Statement of Investment Selection, D.A. Davidson delegates Envestnet as the platform manager to implement, execute, monitor, and rebalance the client's Program account. If the investment manager is not designated as an Envestnet Model Provider "EMP" in the Statement of Investment Selection, the investment manager implements, executes, monitors, and rebalances the client's Program account and retains all discretion. Except when DIA or D.A. Davidson's Wealth Management Research team are the investment managers, neither D.A. Davidson nor Envestnet has influence or control over the investment manager's investment decisions.

Financial Advisors recommend available investment managers to clients for the SAM Program based on a review and selection process conducted by either D.A. Davidson or Envestnet's PMC research teams and the Financial Advisor's independent evaluation, which is described in Item 6 below under Portfolio Manager Selection and Evaluation. D.A. Davidson has sole discretion to terminate an investment manager from the SAM Program, in which case enrolled clients will be notified. Because both D.A. Davidson's Wealth Management Research Department and DIA are investment managers available in SAM Manager, when either are recommended for a client it creates a conflict of interest, which is described in Item 6 below under Portfolio Manager Selection and Evaluation: Use of Affiliated Funds and Investment Management by Affiliated and Related Persons.

*Portfolio Construction and Composition.* SAM Model investment managers are limited to utilizing mutual funds and ETFs, while SAM Manager investment managers can use a variety of investments, including stocks, bonds, mutual funds, ETFs, ETNs, options, and closed-end funds to build a portfolio of diversified holdings appropriate for clients enrolled in the SAM Program. The SAM Program will use all or a subset of these investments to construct the client's portfolio.

The SAM Program will aim to provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on the investment philosophy of the investment manager and the client's specific facts and circumstances.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The SAM Program does not allow for D.A. Davidson affiliated funds to be selected.

More information on the investment selection process undertaken in SAM Model is provided in Item 6 below under Portfolio Manager Selection and Evaluation. Clients that participate in SAM Manager will receive the disclosure brochure for the investment manager that describes the various strategies available. For more information about stocks, bonds, mutual funds, ETFs, ETNs, options, and closed-end funds, clients should speak with their Financial Advisor.

*Monitoring and Rebalancing.* For SAM Model, the investment manager reviews the models periodically and considers whether, based on market fluctuations and other factors, making adjustments to the models is appropriate. Once changes are deemed appropriate, D.A. Davidson delegates Envestnet to implement the changes to client's Program account without prior notice to the client (including regarding the timing of these changes). Client's Program account is monitored daily for deposits and withdrawals (of cash or securities) that cause the assets to deviate over time from the model portfolio. When such deviations become materially significant, the client's Program account will be rebalanced to align it more closely with the model portfolio.

For SAM Manager, the role of monitoring and rebalancing the client's Program account depends on the investment manager selected and is disclosed to clients in the Statement of Investment Selection. If the investment manager is designated as an Envestnet Model Provider "EMP" in the Statement of Investment Selection, the investment manager reviews the portfolios periodically and considers whether, based on market fluctuations and other factors, making

adjustments is appropriate. Once changes are deemed appropriate, D.A. Davidson delegates Envestnet as the platform manager to implement, execute, monitor, and rebalance the client's Program account. If the investment manager is not designated as an Envestnet Model Provider "EMP" in the Statement of Investment Selection, the investment manager constructs, monitors, and rebalances the client's portfolio in accordance with their policies and procedures and as disclosed in the investment manager's ADV 2A Disclosure Brochure. Once changes are deemed appropriate, the investment manager implements, executes, monitors, and rebalances the client's Program account and retains all discretion. Except when DIA or D.A. Davidson's Wealth Management Research team are the investment managers, neither D.A. Davidson nor Envestnet has influence or control over the investment manager's investment decisions.

#### *Reasonable Investment Restrictions.*

For SAM Model and SAM Manager, a client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account including with regard to specific securities or industry sectors. Any such requests must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the investment manager (in their sole discretion) or Platform Manager (based on the parameters set by the investment manager), as appropriate.

This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

*Documents Clients Receive.* Upon enrollment in SAM Model and SAM Manager when the investment manager is designated as an EMP, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement and the Envestnet 2A ADV Disclosure Brochure. Upon enrollment in SAM Manager when the investment manager is not designated as an EMP, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement, the Envestnet 2A ADV Disclosure Brochure, and the investment manager's 2A and 2B ADV Disclosure Brochure. These documents provide detailed information about the SAM Program and the D.A. Davidson Financial Advisor. Once enrolled clients will receive monthly/quarterly account statements/reports.

### **Managed Account Consulting ("MAC")**

*Program and Roles.* The MAC Program offers clients the opportunity to hire or retain a third-party investment manager of their choosing, whether by recommendation from their Financial Advisor or otherwise. The client enters into separate Advisory Agreements with both D.A. Davidson and the third-party investment manager, commonly referred to as a "dual contract" arrangement. Under this arrangement, the third-party investment manager offers clients an investment strategy of asset allocation and portfolio investments customized to client and implements, executes, monitors, and rebalances the client's Program account. The advisory agreement with the third-party investment manager (to which D.A. Davidson is not a party) sets forth, among other things, the responsibilities of that manager to the client, and generally governs the relationship between the client and the third-party investment manager. The Advisory Agreement with D.A. Davidson covers consultation services (i.e., helping the client evaluate the third-party investment advisor initially and on an ongoing basis), custody, brokerage, and administrative services.

The Envestnet platform is not utilized for this Program. The third-party investment manager retains all discretion regarding the model construction, changes to the models, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account. D.A. Davidson conducts a limited review and selection process for the third-party investment managers available for participation in the MAC Program, which is described in Item 6 below under Portfolio Manager Selection and Evaluation. D.A. Davidson does not manage the account and does not otherwise have any influence or control over the third-party investment manager's investment strategy, investment or trading decisions, or security selection in and on behalf of the client's Program account. D.A. Davidson also does not assume responsibility for the performance of the third-party investment manager selected by the client. In the MAC Program, after the client retains a third-party investment manager, D.A. Davidson has no obligation to provide any recommendations, advice, or counsel as to the management of assets in the Program account. D.A. Davidson will remove a third-party investment manager from managing the client's account and facilitate termination of the dual contract only if directed by the client to do so. D.A. Davidson, in its sole discretion, retains the right to remove any third-party investment manager from the Program and will notify impacted clients accordingly.

*Portfolio Construction and Composition.* The third-party investment manager can use a variety of investments including stocks, bonds, mutual funds, ETFs, ETNs and closed-end funds to build a portfolio of diversified holdings appropriate for clients enrolled in the MAC Program. The investment manager will use all or a subset of these investments to construct the portfolios. The MAC Program will aim to provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on the investment philosophy of the third-party manager and the client's specific facts and circumstances.

The MAC Program allows the investment manager to select investments from the universe of stocks, bonds, mutual funds, ETFs, ETNs and closed-end funds available on the D.A. Davidson platform. Mutual funds often offer several

share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ.

The MAC Program does not allow for D.A. Davidson affiliated funds or affiliated managers to be selected. Clients that participate in the MAC Program will receive the disclosure brochure for the third-party investment manager that describes the various strategies available. For more information about stocks, bonds, mutual funds, ETFs, ETNs, and closed-end funds, clients should speak with their Financial Advisor.

**Monitoring and Rebalancing.** For the MAC Program, the third-party investment manager constructs, monitors and rebalances the client's customized portfolio in accordance with their policies and procedures and as disclosed in the third-party investment manager's disclosure brochure. Once changes are deemed appropriate, they are implemented to client's Program account at the third-party investment manager's discretion without prior notice to the client (including regarding the timing of these changes). D.A. Davidson has no influence or control over the third-party investment manager's investment decisions.

**Reasonable Investment Restrictions.** A client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account, including with regard to specific securities or industry sectors. Any such requests must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the investment manager, in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

**Documents Clients Receive.** Upon enrollment, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement and the third-party manager's 2A ADV Disclosure Brochure (directly from the third-party investment manager). These documents provide detailed information about the MAC Program, the D.A. Davidson Financial Advisor and the third-party investment manager. Once enrolled clients will receive monthly/quarterly account statements/reports.

## **Unified Managed Account ("UMA")**

**Program and Roles.** The UMA Program is available in three versions: (1) UMA Select, (2) UMA Discretion, and (3) UMA Guided,

UMA Select and UMA Discretion offer clients a portfolio constructed by D.A. Davidson and its Financial Advisor using a combination of the following investment sleeves: MFP model (as described above), SAM Model (as described above), SAM Manager (as described above), and individual mutual funds, ETFs and ETNs selected by the Financial Advisor. In UMA Select, the Financial Advisor will recommend the investment sleeves, investment manager(s) and client's portfolio/model but will obtain client's consent before implementing or making any changes. In UMA Discretion, the Financial Advisor will choose and implement the investment sleeves, investment managers, and client's portfolio/model, without obtaining the client's consent before implementation or making any changes. Note that certain investment managers that are available in SAM are not available in UMA Select or UMA Discretion.

UMA Guided offers clients a portfolio constructed and managed by Envestnet's Private Wealth Consulting Service ("PWC Service"), using the research, portfolio construction and investment decisions of Portfolio Management Consultants ("PMC"). UMA Guided offers a custom multi-manager portfolio with access to multiple asset managers, mutual funds, and ETFs, representing various asset classes. In UMA Guided, D.A. Davidson will appoint PWC Services (and in turn PMC) to choose and implement the investment sleeves, investment managers and portfolio/model based on the clients target investment profile and risk tolerance. PWC Services will not obtain the client's consent before implementing or making any changes.

Discretionary changes in investment sleeves could result in changes to the Management Fee in UMA Discretion up to a maximum of .75% and in UMA Guided up to a maximum of .90% (as defined in this Item 4 below) without client's consent or prior notification. This means that the Financial Advisor (in UMA Discretion) can make discretionary decisions that can impact client's fee at any time. For UMA Guided, PWC Services can make discretionary changes that can impact client's fee at any time. Clients should review their monthly statement for fee information.

In UMA Guided, models provided by PWC are considered proprietary Envestnet PMC models. These offerings may incorporate PMC proprietary strategies, mutual funds and ETFs, for which Envestnet acts as the investment advisor. This creates a conflict of interest for Envestnet in its selection of strategies, mutual funds and ETFs because it allows Envestnet to earn both the Management Fee on the assets and any additional fees associated with your investment into the strategies, mutual funds and ETFs. To mitigate this conflict, Envestnet does not collect a portion (up to .15% depending on the investment amount) of the Management Fee (as defined below) for the assets of your UMA Guided account invested in these proprietary strategies, mutual funds and ETFs.



For UMA Guided, D.A. Davidson delegates Envestnet as the platform manager to implement, execute, monitor, and rebalance the client's Program account, both with regard to the overall portfolio and for each investment sleeve.

For each of the following investment sleeves available in UMA Select and UMA Discretion: MFP model, SAM Model, SAM Manager, the operations regarding the Programs and Roles, Portfolio Construction and Composition, Monitoring and Rebalancing, and Reasonable Investment Restrictions function as described under the respective Program descriptions above. For individual mutual fund and individual ETF sleeves, your Financial Advisor can select from D.A. Davidson's Supervised Mutual Fund and ETF Research List, described further in Item 6 below under Portfolio Manager Selection and Evaluation.

For UMA Guided: see the Envestnet 2A ADV Disclosure Brochure for information regarding the operations of the program, portfolio construction and composition, monitoring, rebalancing, and reasonable investment restrictions.

DIA, a D.A. Davidson affiliated investment adviser, is one of the investment managers available in UMA Select. DIA is only available in UMA Discretion on an exception basis; however, DIA is not available for retirement accounts in the UMA Discretion Program. When DIA is selected for a client, this creates a conflict of interest, which is described in Item 6 below under Portfolio Manager Selection and Evaluation: Use of Affiliated Funds and Investment Management by Affiliated and Related Persons. DIA is not available for UMA Guided.

*Portfolio Construction and Composition.* As noted above, for each of the following investment sleeves available in UMA Select and UMA Discretion: MFP model, SAM Model, SAM Manager, Portfolio Construction and Composition operate as described under the respective Program descriptions above and mutual fund and ETFs are selected from D.A. Davidson's Supervised Mutual Fund and ETF Research List.

To construct the overall portfolio (i.e., the investment sleeves and portfolio/model of each sleeve) D.A. Davidson and the Financial Advisor will aim to provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on their investment philosophy and the client's specific facts, objectives and circumstances.

For UMA Guided: see the Envestnet 2A ADV Disclosure Brochure for information regarding portfolio construction and composition.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The UMA Program does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken to create the pre-approved list of individual mutual funds and individual ETFs is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about stocks, bonds, mutual funds, ETFs, ETNs, and closed-end funds, clients should speak with their Financial Advisor.

*Monitoring and Rebalancing.* As noted above, for each of the following investment sleeves available in UMA Select and UMA Discretion: MFP model, RMS model, SAM Model, SAM Manager, Monitoring and Rebalancing operates as described under the respective Program descriptions above.

In UMA Select and UMA Discretion, the client's Program account is monitored daily for deposits and withdrawals (of cash or securities) that cause the assets to deviate over time from the overall portfolio (including allocations to individual mutual funds and ETFs). When such deviations become materially significant, the client's Program account will be rebalanced to align it more closely with the overall portfolio. Additionally, client accounts will be reviewed annually to determine if rebalancing is necessary if account has not been rebalanced as a result of other portfolio changes.

For UMA Guided: see the Envestnet 2A ADV Disclosure Brochure for information regarding monitoring and rebalancing.

*Reasonable Investment Restrictions.* A client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account, including with regard to specific securities or industry sectors. Any such requests must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the investment manager (in their sole discretion) or Platform Manager (based on the parameters set by the investment manager). This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

*Tax Overlay and Impact Overlay Services.* An optional tax overlay management service is available in the UMA Program for an additional fee for portfolios that meet certain qualifications. In addition, an optional impact overlay management service-based impact investing criteria is available for an additional fee. Envestnet operates both overlay services in accordance with their policies and procedures and as described in the Envestnet 2A Disclosure Brochure. For more information about the Tax Overlay and Impact Overlay Services contact your Financial Advisor.

*Documents Clients Receive.* Upon enrollment, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement and the Envestnet 2A ADV Disclosure Brochure. Clients enrolled in a SAM Manager sleeve when the investment manager is not designated as an Envestnet Model Provider will also receive the investment

manager's ADV 2A and 2B Disclosure Brochure. These documents provide detailed information about the UMA Program, the D.A. Davidson Financial Advisor, and the investment managers (as applicable). Once enrolled clients will receive monthly/quarterly account statements/reports.

## Paragon

**Program and Roles.** The Paragon Program offers clients an investment strategy of asset allocation and portfolio investments customized to the client by a D.A. Davidson Financial Advisor who has been approved to participate in the Paragon Program as an investment manager (each, a "Paragon Manager"). The Paragon Manager uses tools available at D.A. Davidson to implement, execute, monitor, and rebalance the client's Program account. The Paragon Manager retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account. Paragon Managers are D.A. Davidson Financial Advisors that act as both investment manager and Financial Advisor to their clients. D.A. Davidson conducts an approval process for the Paragon Managers, supervises the Paragon Managers, and determines Paragon Security and Transaction Parameters, all of which are described in Item 6 below under Portfolio Manager Selection and Evaluation.

**Portfolio Construction and Composition.** Paragon Managers can use a variety of investments, including stocks, bonds, mutual funds (including alternative strategy mutual funds), ETFs, ETNs, alternative investments, unit investment trusts ("UITs"), including buffered UITs, options, and advisory variable annuities available on the D.A. Davidson platform to build a portfolio of diversified holdings appropriate for clients enrolled in the Paragon Program. The Paragon Manager will use all or a subset of these investments to construct the client's portfolio, however, as described under Methods of Analysis and Strategies by Program: Paragon in Item 6 below, at the discretion of D.A. Davidson's Managed Asset Department, certain Financial Advisors may be granted limited exceptions to hold security positions that would otherwise be ineligible under the Paragon Program. The Paragon Program can provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on the investment philosophy of the Paragon Manager and the client's Investment Profile and other specific facts and circumstances (including facts and circumstances about other accounts with D.A. Davidson that are held by the client or eligible members of the client's household ). Each Paragon Manager has a written investment discipline that describes their investment philosophy and strategies they use. Clients should speak with the Paragon Manager regarding how their Paragon Manager will manage the client's account.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ.

The Paragon Program allows clients to purchase Davidson affiliated mutual funds, for which DIA serves as the investment adviser, except within retirement accounts. Since DIA and D.A. Davidson are affiliates, this creates a conflict of interest by allowing the D.A. Davidson family of companies to receive two levels of fees. D.A. Davidson addresses these conflicts of interest by disclosing them in this Brochure. Further information regarding these conflicts and D.A. Davidson and its Affiliates is provided in Item 9 below under Additional Information and Other Financial Industry Affiliates and Activities.

More information on the methods of analysis for investment strategies undertaken in the Paragon Program is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about stocks, bonds, mutual funds (including alternative strategy mutual funds), ETFs, ETNs, alternative investments, UITs, options, and advisory variable annuities clients should speak with their Financial Advisor.

**Monitoring and Rebalancing.** Paragon Managers review client's portfolios at least annually and consider whether, based on market fluctuations and other factors, making adjustments to the asset allocations and investment selections are appropriate. Once changes are deemed appropriate, they are implemented to client's Program account at the Financial Advisors discretion without prior notice to the client (including regarding the timing of these changes).

**Reasonable Investment Restrictions.** A client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account, including with regard to specific securities or industry sectors. Any such request must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the Financial Advisor in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

**Documents Clients Receive.** Upon enrollment, clients will receive this Brochure and the Financial Advisor's 2B Brochure Supplement, which provide detailed information about the Paragon Program and the D.A. Davidson Financial Advisor. Once enrolled clients will receive monthly/quarterly account statements/reports.

## Paragon CWAM

**Program and Roles.** A limited number of D.A. Davidson Financial Advisors can recommend that client's account be invested into specific portfolios developed by a few Financial Advisors formerly associated with Crowell Weedon & Co. ("Crowell Weedon") prior to its acquisition by D.A. Davidson Companies in August 2013 (managers, the "CWAM Manager" and portfolios, the "CWAM Portfolios"). After the closing of that acquisition, the businesses conducted by Crowell Weedon were combined and are now operated as a part of D.A. Davidson.

The CWAM Manager offers clients an investment strategy of asset allocation and portfolio investments from a series of model portfolios that they construct and manage. Client's assets will thereafter be managed and implemented by the CWAM Manager in accordance with the agreed upon model portfolio. The CWAM Manager uses tools available at D.A. Davidson to implement, execute, monitor, and rebalance the client's Program account. The CWAM Manager retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account. CWAM Managers are D.A. Davidson Financial Advisors that are approved to be and supervised as Paragon Managers, which in certain cases means that they act as both investment manager and Financial Advisor to their clients. Paragon CWAM is also subject to the Paragon Program parameters determined by D.A. Davidson.

**Portfolio Construction and Composition.** CWAM Managers can use a variety of investments, including stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, options, and advisory variable annuities to build portfolios of diversified holdings appropriate for clients enrolled in the Paragon CWAM Program. The CWAM Manager will use all or a subset of these investments to construct the model portfolios. Paragon CWAM can provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on the investment philosophy of the CWAM Manager. Each CWAM Manager has a written investment discipline that describes their investment philosophy and strategies they use. Clients should speak with their Financial Advisor regarding how their CWAM Manager will manage the client's account.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ.

The Paragon CWAM Program allows clients to purchase Davidson affiliated mutual funds, for which DIA serves as the investment adviser, except within retirement accounts. Since DIA and D.A. Davidson are affiliates, this creates a conflict of interest by allowing the D.A. Davidson family of companies to receive two levels of fees. D.A. Davidson addresses these conflicts of interest by disclosing them in this Brochure. Further information regarding these conflicts and D.A. Davidson and its Affiliates is provided in Item 9 below under Additional Information, and Other Financial Industry Affiliates and Activities.

More information on the investment selection process undertaken in the Paragon CWAM Program is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, options, and advisory variable annuities clients should speak with their Financial Advisor.

**Monitoring and Rebalancing.** CWAM Managers review the CWAM Portfolios periodically and considers whether, based on market fluctuations and other factors, making adjustments to the models is appropriate. Once changes are deemed appropriate, they are implemented to client's Program account at the CWAM Manager's discretion without prior notice to the client (including regarding the timing of these changes).

**Reasonable Investment Restrictions.** A client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account, including with regard to specific securities or industry sectors. Any such request must be communicated to D.A. Davidson in writing and will be considered for approval or denial by the CWAM Manager in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

**Documents Clients Receive.** Upon enrollment, clients will receive this Brochure, the Financial Advisor's 2B Brochure Supplement, and the CWAM Manager's 2B Brochure Supplement, which provide detailed information about the Paragon CWAM Program, the D.A. Davidson Financial Advisor and the CWAM Manager. Once enrolled clients will receive monthly/quarterly account statements/reports.

## Choice

**Program and Roles.** The Choice Program offers clients an investment strategy of asset allocation and portfolio investments customized to the client by a D.A. Davidson Financial Advisor. In the Choice Program client appoints D.A. Davidson to provide investment advice and recommendations for the assets in the client's Program account, but the client retains full authority over the decisions (including the authority to buy, sell, or hold securities and the timing of

these actions). Neither D.A. Davidson nor a Financial Advisor has investment discretion and may not buy or sell securities in connection with a client account without their consent. The Financial Advisor uses tools available at D.A. Davidson to implement, execute, monitor, and rebalance the client's Program account.

In the Choice Program, the client enters into an agreement with D.A. Davidson for the provision of non-discretionary advisory, custody, brokerage, and administrative services. Based on information in the client's Investment Profile, a Financial Advisor advises the client on the selection of an appropriate investment strategy, which includes security selection and general asset allocation, and which may include advice on financial planning and other wealth management topics. The client has sole discretion to make investment decisions in relation to the account, including, for example, the decision whether to accept or reject an investment strategy, or whether to purchase or sell particular securities, recommended by the Financial Advisor. The Choice Program is not intended to permit a client to direct the purchase of securities in their account, but rather to approve purchases recommended by the Financial Advisor.

**Portfolio Construction and Composition.** Financial Advisors can use a variety of investments, including stocks, bonds, mutual funds (including alternative strategy mutual funds), ETFs, ETNs, alternative investments, UITs (including buffered UITs), options, and advisory variable annuities available on the D.A. Davidson platform to build a portfolio of diversified holdings appropriate for clients enrolled in the Choice Program. The Financial Advisor will use all or a subset of these investments to construct the client's portfolio, however, as described under Methods of Analysis and Strategies by Program: Choice in Item 6 below, at the discretion of D.A. Davidson's Managed Asset Department, certain Financial Advisors may be granted limited exceptions to hold security positions that would otherwise be ineligible under the Paragon Program. The Choice Program can provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth and income) based on the investment philosophy of the Financial Advisor and the client's specific facts and circumstances.

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ.

The Choice Program allows clients to purchase Davidson affiliated mutual funds, for which DIA serves as the investment adviser, except within retirement accounts. Since DIA and D.A. Davidson are affiliates, this creates a conflict of interest by allowing the D.A. Davidson family of companies to receive two levels of fees. D.A. Davidson addresses these conflicts of interest by disclosing them in this Brochure. Further information regarding these conflicts and D.A. Davidson and its Affiliates is provided in Item 9 below under Additional Information and Other Financial Industry Affiliates and Activities.

More information on the methods of analysis for investment strategies undertaken in the Choice Program is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about stocks, bonds, mutual funds (including alternative strategy mutual funds), ETFs, ETNs, alternative investments, UITs (including buffered UITs), options, and advisory variable annuities clients should speak with their Financial Advisor.

**Monitoring and Rebalancing.** Financial Advisors review client's portfolios at least annually and consider whether, based on market fluctuations and other factors, making adjustments to the asset allocations and investment selections are appropriate. Once changes are deemed appropriate, they are reviewed with the client before being implemented to client's Program account.

**Reasonable Investment Restrictions.** A client may contact their financial advisor to request a reasonable investment restriction on their Program account, including with regard to specific securities or industry sectors. Any such request must be communicated to D.A. Davidson in writing and will be considered for approval or by the Financial Advisor in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. Restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions.

**Documents Clients Receive.** Upon enrollment, clients will receive this Brochure and the D.A. Davidson Financial Advisor's 2B Brochure Supplement, which provide detailed information about the Choice Program and the D.A. Davidson Financial Advisor. Once enrolled clients will receive monthly/quarterly account statements/reports.

## **ADDITIONAL PROGRAM INFORMATION**

**Custody and Trade Execution.** Generally, D.A. Davidson serves as custodian for client assets in the Programs. However, in some cases D.A. Davidson, in its sole discretion, may permit clients to custody their assets at another financial institution acceptable to D.A. Davidson (each, an "Outside Custody Arrangement"). This arrangement would only be considered for clients in the Paragon and Choice Programs. Typically, for Outside Custody Arrangements, the client will pay a separate custody fee to the custodian of those assets in addition to a Total Annual Fee (as defined below) paid to D.A. Davidson for investment advisory services and enter into a separate Custodial Agreement with that custodian.

For accounts custodied at D.A. Davidson, the Firm will also provide execution services for the client's securities



transactions in accordance with D.A. Davidson's brokerage practices described in Item 9 below under Brokerage Practices.

If a Financial Advisor recommends a client invest a portion of their assets in advisory variable annuities or alternative investments, the broker-dealer selected by the insurance carrier or issuer of the product will maintain custody of the underlying funds for advisory variable annuity sub accounts, or underlying assets for alternative investments, respectively.

**Tax Consequences.** Transactions executed for and on behalf of a client's account may have positive or negative tax consequences for a client. In exercising investment discretion in relation to accounts and otherwise providing investment management services to clients through the Programs, D.A. Davidson may consider specific tax-related information communicated by clients. However, D.A. Davidson does not employ tax professionals, has not, and will not provide tax advice to clients. D.A. Davidson is not responsible for ensuring that clients accurately report the trading activities in their Program account to the IRS or any other relevant taxing authority. D.A. Davidson is not responsible for the tax consequences of any transaction affecting a client as a result of investment decisions made on behalf of the client's account by either D.A. Davidson or any other person (including the Platform Manager, or investment manager), including, for example, after the client has communicated tax-specific information to their Financial Advisor. D.A. Davidson recommends, prior to opening any account, which is eligible to participate in one of the Programs, clients should consult with their tax advisor to identify and consider the tax consequences of the strategy to be pursued through their accounts.

**Use of Margin.** Margin (i.e., borrowing to purchase additional securities in an advisory account) is prohibited. However, the assets in a client's non-qualified advisory account may be used as collateral for a margin balance held within a separate brokerage account. Using an advisory account as collateral in this manner comes with certain risks and disadvantages, such as (i) requiring clients to provide additional funds to their non-qualified advisory account, which, if not done, can result in a liquidation of all or some of the assets in clients' non-qualified advisory account and if the assets are in a discretionary account, such liquidation decisions will be made by the Financial Advisor at their discretion and without prior notice to clients; and (ii) any margin account balance in a non-qualified advisory account will be included in the calculation of clients' Total Annual Fee (as defined below), which, when considered along with the margin interest clients pay, may result in higher overall fees to clients and higher compensation to D.A. Davidson and its Financial Advisors; (iii) the incremental fees paid to D.A. Davidson may be significantly higher than in the absence of margin or than might otherwise be paid pursuant to a standard margin arrangement with us or another broker-dealer.

Please read the Margin Disclosure closely before engaging in margin activities. Clients should also note that use of margin is generally intended to fund additional purchases of securities. If client wishes to obtain a loan for some other purpose, client should instead consider whether they are eligible for Securities-Based Lending, which involves clients obtaining loans from third-party lenders for general use purposes.

**Securities-Based Lending.** D.A. Davidson can refer qualifying clients to borrow money from a third-party lender (the "Lender") under Davidson's Securities-Based Lending Program (the "Loan"). The Loan can be used for any personal or business purpose other than to purchase, carry or trade securities. The Loan is secured by the assets in a client's non-qualified advisory and/or brokerage account(s).

Any referral by D.A. Davidson and its Financial Advisor made to a Lender or for a Loan is an ancillary service and not part of our Programs or advisory services. The Financial Advisor can educate clients about the Loan, act as an intermediary between the client and the Lender, but does not recommend the Loan, a draw down on the Loan or otherwise act in a fiduciary capacity with regard to the Loan. The Financial Advisor also will not provide advice or oversee any such lending arrangement.

Clients considering a loan should refer to the disclosure titled Important Considerations for Liquidity Needs available at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for more educational information about liquidity options, including considerations for taking the Loan, compensation received by D.A. Davidson for making the referral and associated conflicts of interest.

## FEES

**Program Fee.** The client will typically pay an ongoing annual fee established as a percentage of the market value of assets in the account as of a particular measurement date ("asset-based fee"). The total "wrap fee" consists of the following components which makes up the "Total Annual Fee": (1) an annual asset-based advisory fee paid to D.A. Davidson ("Davidson Advisory Fee"); and (2) an annual asset-based manager fee paid directly to an investment manager, which may include a platform fee retained by D.A. Davidson, for SAM, UMA and Paragon CWAM ("Management Fee"). Client's specific Total Annual Fee is provided upon enrollment in a Statement of Investment Selection.

The Total Annual Fee varies among Programs as follows:

Program	Davidson Advisory Fee	Management Fee
MFP	Negotiable up to 1.85%	N/A
RMS	Negotiable up to 1.85%	0.02%
MAC	Negotiable up to 1.85%	Negotiable
SAM Model	Negotiable up to 1.85%	0.07% - 0.60% (including a .02%-0.15% platform fee to D.A. Davidson)
SAM Manager	Negotiable up to 1.85%	0.14% - 0.57% (including a 0.02%-0.15% platform fee to D.A. Davidson)
UMA Select and UMA Discretion	Negotiable up to 1.85%	0.15% - 0.75% (including a 0.15% platform fee to D.A. Davidson)
UMA Guided	Negotiable up to 1.85%	0.28% - 0.90% (including a 0.05% platform fee to D.A. Davidson)
Paragon	Negotiable up to 1.85%	N/A
Paragon CWAM	Negotiable up to 1.85%	Negotiable up to 0.50% (with total Davidson Advisory Fee combined with Management Fee not to exceed 1.85%)
Choice	Negotiable up to 1.85%	N/A

*Note: There are exceptions to the above fee construct for a limited number of clients based on legacy relationships and/or supervisory approval ("Exception Fee Arrangements").*

**D.A. Davidson Advisory Fee.** The Davidson Advisory Fee is negotiated and determined based upon a number of factors. The Financial Advisor may consider the value of the assets across accounts in one household participating in one or more Programs, subject to certain restrictions, the services expected to be provided to the client, the types of assets being deposited in the account participating in the relevant Program, the composition of the account (i.e., whether the account holds or mostly holds equity securities or fixed income securities), and the nature of the client relationship. In general, the greater the value of assets a client has invested through one or more Programs, the lower the Davidson Advisory Fee will be. However, because the Advisory Fee is individually negotiated, not all clients with the same amount of assets will be charged the same fee in the same Program. Clients should ensure their Financial Advisor is aware of all assets held at D.A. Davidson when negotiating the D.A. Davidson Advisory Fee. D.A. Davidson may approve a Financial Advisor to charge a fee rate higher than 1.85% from time to time in consideration of the services to be provided to a client.

Allowing the Financial Advisor to determine the Davidson Advisory Fee creates a conflict of interest because the Financial Advisor is incentivized to increase their compensation by setting a higher fee for client's Program account.

**Management Fees.** The specific Management Fee within the range noted above for SAM and UMA is determined through a separate Management Fee schedule and is based upon the investment manager and/or model selected for the client. Each model and investment manager is priced differently based upon the composition of the account and the fee is not negotiable.

D.A. Davidson is typically not responsible for determining and setting these fees, except when DIA (a D.A. Davidson affiliate) or D.A. Davidson Wealth Management Research is the investment manager for SAM Manager. For further information about the conflicts of interest created by the use of D.A. Davidson portfolios and investment managers see Portfolio Manager Selection and Evaluation: Use of Affiliated Funds and Investment Management by Affiliated and Related Persons under Item 6 below.

A portion of the Management Fee is retained by D.A. Davidson to support the use of the Envestnet platform for these Programs (the "platform fee"). This presents a conflict of interest because it incentivizes D.A. Davidson to recommend the Programs that pay it a platform fee, and specifically a higher platform fee, above others that do not pay D.A. Davidson a platform fee or pay a lower platform fee. We mitigate this conflict by not sharing the platform fees with our Financial Advisors and paying a portion of that fee to Envestnet.

When the D.A. Davidson Wealth Management Research portfolios are selected in SAM Manager, both the D.A. Davidson Advisory Fee and the platform fee portion of the Management Fee are charged to the client and retained by D.A. Davidson. There is no additional Management Fee charged to clients.

The Paragon CWAM Portfolios are often recommended by the CWAM Managers (i.e., Financial Advisors that develop these portfolios) who are also approved to be Paragon Managers. This creates a conflict of interest because these Financial Advisors have an opportunity to negotiate a higher Total Annual Fee for using the CWAM Portfolios. D.A. Davidson mitigates the risk by not allowing the Total Annual Fee (along with the 50 basis point Management Fee for the Paragon CWAM Program) to exceed the 1.85% maximum Davidson Advisory Fee for any Paragon CWAM accounts opened after August 2013 (unless they are subject to an Exception Fee Arrangement).

As described in UMA Guided in this Item 4 above, Envestnet does not collect the portion (up to .15% depending on the investment amount) of the Management Fee for the assets of your UMA Guided account invested in Envestnet's proprietary strategies, mutual funds and ETFs.

**Optional Tax Overlay and Impact Overlay Service for UMA.** As described in this Item above under UMA, optional tax and impact overlay management services are available in the UMA Program for an additional fee. Clients that select either or both of these services will be charged an asset-based fee of 0.08% in addition to the Total Annual Fee.

## **ADDITIONAL FEE INFORMATION**

**How Fees are Charged.** Unless D.A. Davidson has agreed otherwise (in writing), the Total Annual Fee is calculated and charged quarterly, in advance, payable on the first day of each calendar quarter. The quarterly fee is calculated based on the market value of the assets in the account (including cash and cash-equivalents) on the last business day of the prior quarter, the portion of the applicable Total Annual Fee rate based on the actual number of days in the quarter, and a 365 day year (366 days in the case of a leap year). The value of assets held in the Program account will be determined in good faith by D.A. Davidson to reflect their fair market value. The initial billing period begins when an Advisory Agreement is signed by the client and accepted and executed by D.A. Davidson. If this occurs after the start of a quarterly billing period, the initial or partial quarter fee will be prorated based on the number of days remaining in the current calendar quarter. Typically, fees are automatically debited from the client's account, and billed in accordance with the terms set forth in the client's Advisory Agreement. Fees may be paid with other billing arrangements if agreed upon separately. Under Exception Fee Arrangements, the client may be charged in arrears and/or monthly in accordance with their specific Advisory Agreement or certain assets could be excluded from the Total Annual Fee calculation.

**Cash Balances.** A portion of client's account may be held in cash through the cash management program (which is further described under Item 9 below). D.A. Davidson (and its affiliates) receive important and significant compensation and benefits from client use of the cash management program. If D.A. Davidson did not receive such compensation, which is in addition to the Total Annual Fee, the Total Annual Fee would generally be higher.

The Total Annual Fee applies to cash balances. Because the Total Annual Fee is generally charged on cash balances and cash balances generate compensation to D.A. Davidson through the cash management program, D.A. Davidson (and its affiliates) earn two layers of compensation on such cash balances in client advisory accounts. To mitigate this conflict of interest, for portfolios where D.A. Davidson or its Financial Advisors act as an investment manager (i.e., the MFP, Paragon, Paragon CWAM, Choice, and D.A. Davidson Wealth Management Research portfolios under SAM Manager), as of January 1, 2024, no more than 5% of the account is permitted to be held in cash for more than 90 consecutive days.

The amount invested in cash differs among Programs and among Financial Advisors. Account performance is impacted by cash allocations. Under most market conditions, cash allocations result in lower overall portfolio performance as most other asset classes typically outperform cash over time. Any cash in the client's account is typically swept into the cash management program for which D.A. Davidson, but not the Financial Advisor, earns additional compensation. This creates a conflict of interest as described in Item 9 below under Other Compensation.

**Services and Expenses Covered by the Total Annual Fee.** As described above, the Total Annual Fee covers investment advice provided by D.A. Davidson's investment professionals and/or the client's Financial Advisor, portfolio management services, the execution of client transactions, custody services, account servicing, reporting, monitoring, rebalancing and other services. It also covers the additional fees paid to investment managers utilized in the applicable Program, the D.A. Davidson platform fee, and D.A. Davidson's costs for administering the Program.

**Service Fees and Expenses Not Covered by the Total Annual Fee.** The Total Annual Fee does not include certain charges, such as retirement account fees, trust fees, exchange fees, currency conversion fees, transfer fees, or other service fees. For accounts with a margin debit (only available in Paragon, Paragon CWAM and Choice), D.A. Davidson charges a fee on the gross value of securities in the account and the client also pays the margin interest on the debit balance in the account. In accounts where custody of assets is with a firm other than D.A. Davidson, the client will pay other custody, transaction, and administrative fees, in accordance with the terms of their account agreements.

In addition to the Total Annual Fee described above, a client may incur other fees and expenses related to the

management and servicing of their account. These other fees and expenses include those related to odd-lot differentials, exchange fees, electronic fund and wire transfer fees, margin interest, transfer taxes, redemption fees imposed by a mutual fund company in relation to trading deemed to be excessive, certain fees in connection with the establishment, administration, or termination of retirement or profit-sharing plans or trust accounting, or other costs or fees imposed under applicable laws or regulations. IRAs participating in a Program will incur an annual IRA maintenance fee. In addition, in connection with the purchase of certain types of securities (such as securities traded over-the-counter and fixed income securities), the client will bear the cost of any mark-ups, mark-downs and spreads charged by market-makers and dealers. Also, if a transaction in a client account is executed away from D.A. Davidson (a "step out" trade) other charges may also be incurred. Further information relating to transactions executed away from D.A. Davidson is provided in Item 9 below under Brokerage Practices.

#### **Investment Fees and Expenses Not Covered by the Total Annual Fee.**

All fees paid to D.A. Davidson for investment advisory services provided through the Programs are in addition to the fees and expenses clients incur with respect to investments held in Program accounts, including for Program assets invested in bank deposit accounts, money market funds, mutual funds, ETFs, alternative investments, advisory variable annuities, and private investment partnerships and other pooled investments. These fees and expenses are described in each fund's (or other vehicle's) prospectus or offering document and will be borne directly or indirectly by their shareholders. These fees can include fund management fees, administrative fees, omnibus and sub-transfer agent fees, other fund expenses, and potentially a 12b-1 Fee or other marketing, shareholder servicing and distribution charges. Note, however, the sub-transfer agent fees are not charged on qualified advisory accounts. By investing in these types of securities, a client is essentially paying multiple layers of fees and expenses on the assets invested.

When investments are made in D.A. Davidson affiliated funds, these additional fees are retained by DIA, a D.A. Davidson affiliate. D.A. Davidson has an incentive to permit Program accounts to invest in D.A. Davidson affiliated funds because that would result in more money being retained by the D.A. Davidson family of companies. D.A. Davidson only allows D.A. Davidson affiliated funds to be used in the Paragon, Paragon CWAM and Choice Program accounts that are not retirement accounts. The compensation Financial Advisors receive does not differ depending on whether D.A. Davidson affiliated funds are selected for the client's account.

When investments are made in third-party funds, D.A. Davidson or an affiliate retains compensation for services to the fund or its sponsor, including revenue sharing, omnibus recordkeeping, sub-transfer agency fees and other compensation for administrative services. Note, however, the sub-transfer agent fees are not retained by D.A. Davidson on qualified advisory accounts. D.A. Davidson has an incentive to invest Program account asset in funds that pay this compensation and that pay this compensation in greater amounts, because doing so results in additional compensation to the D.A. Davidson family of companies. The compensation Financial Advisors receive does not differ depending on whether funds that pay additional compensation are selected for the client's account.

Because D.A. Davidson may receive distribution and shareholder servicing revenue as a result of investments in mutual funds in client accounts, and to the extent that this revenue varies based on the mutual fund or the share class selected, D.A. Davidson has a conflict of interest with respect to the variations in such revenue. As a matter of D.A. Davidson's policy, any new purchases of mutual funds in a Program account must be in an advisory share class that does not impose a 12b-1 Fee, where such a share class is available. In the event D.A. Davidson receives a 12b-1 Fee in relation to an existing mutual fund position in an advisory account, the Firm will pass on and rebate the fee to the client. D.A. Davidson does not guarantee clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in advisory accounts. Further information relating to fees and expenses is provided in Item 9 below under Brokerage Practices and Other Compensation.

In the case of annuity or insurance products available in the Paragon, Paragon CWAM and Choice Programs, clients will pay two levels of fees: the Total Annual Fee paid directly to D.A. Davidson and the Financial Advisor, and a fee(s) paid indirectly to the annuity or insurance carrier. These additional fees to the annuity and insurance carrier would include mortality and expense, administrative fees, and underlying fund expenses. Other fees for optional benefits and riders may also be assessed. As noted below clients may purchase annuity products and other securities outside of the advisory programs offered by D.A. Davidson and avoid D.A. Davidson's Total Annual Fee.

**Payments to Third Parties.** For the RMS, SAM, and UMA Programs, D.A. Davidson pays a portion of the Total Annual Fee received from the client to an investment manager and/or Envestnet, as the case may be, for services provided to the client through the relevant Program(s). These payments may change from time to time without notice to clients. Only for UMA Select will clients be notified in advance of any change resulting in a change to the client's Total Annual Fee. The payments to these third parties vary based on factors such as the Program, the investment strategy or style of the relevant manager, and the size of the client's account.

**Consolidating Statements and Mailings.** Clients should notify their Financial Advisor if they wish to consolidate statements for multiple accounts at the same mailing address. Program accounts held directly by client, or for the benefit of a spouse, parent, child, or anyone else residing at the same address as the client, qualify for statement consolidation. Statement consolidation requests will also result in the receipt of a single combined quarterly

performance report per mailing address. By consolidating statements, clients allow D.A. Davidson to share client's Program account performance information with others at the client's mailing address. Consolidating statements does not authorize others at the client's mailing address to conduct transactions in client's Program account.

Plan fiduciaries and clients should note accounts participating in a Program that were established under an ERISA-qualified plan are typically not consolidated with accounts not subject to ERISA for purposes of receiving a combined quarterly performance report. Clients are also encouraged to consult their tax advisor regarding the tax consequences of grouping accounts not subject to ERISA with other retirement accounts (such as IRAs and Keogh plan accounts), and with non-retirement accounts.

**Termination of the Advisory Relationship.** Clients may terminate participation in a Program upon ten business day's written notice to D.A. Davidson. Client's participation in a Program will automatically terminate upon notification to D.A. Davidson of client's death or the death of all authorized account holders (including trustees). D.A. Davidson may also terminate client's participation in the Program immediately upon written notice to clients for any reason in D.A. Davidson's sole discretion, including, but not limited to, (i) should client's balance fall below the Program's initial minimum account size requirements and any minimum maintenance requirements determined in D.A. Davidson's sole discretion, (ii) if client fails to update or provide certain information or documentation requested by D.A. Davidson, (iii) in the case of an UTMA/UGMA account where the beneficiary has reached the age of majority in their state of residency, or (iv) in the event D.A. Davidson believes for any reason client is currently violating or may violate any applicable law or regulation or the terms of the Advisory Agreement or D.A. Davidson is otherwise requested by a regulator or self-regulatory authority to close or suspend the account. In the event D.A. Davidson or a client terminates client's participation in a Program, any prepaid, unearned fees will be refunded. The number of days remaining in the billing period after the effective date of the termination will be considered in determining the amount of any fee reimbursement due to a client. Upon termination, Program account assets will no longer be managed, and the account will be automatically converted to a custody only brokerage account at D.A. Davidson until the client transfers the assets to another provider or makes other arrangements with D.A. Davidson.

**Additional General Fee Information.** D.A. Davidson may modify a client's existing fees and/or add additional fees or charges by providing the client with thirty (30) days prior written notice of the modification (except that in UMA Discretion and UMA Guided, the Management Fee can change without clients' consent or prior notification).

**Purchasing Like Services and Investments Outside of an Advisory Relationship.** The services provided to a client in connection with a D.A. Davidson advisory account may be separately available to a client outside of the advisory account. Clients are cautioned that, depending on factors such as: the level of fees charged by the executing broker-dealer, the amount of trading activity in the client's account, the value of the client's account, the types of securities held in the client's account, the client's investment strategy, and the level of service sought by the client, the aggregate cost of the client's advisory account may be higher than if the client had selected the services separately. In addition, fees charged by D.A. Davidson may be higher or lower than the fee charged by another firm that offers comparable advisory services.

A client could also invest in a mutual fund directly or through an unaffiliated broker-dealer without D.A. Davidson's services. A client could also invest in an annuity through an unaffiliated broker-dealer without D.A. Davidson's services. In that case, the client would not receive the ongoing investment advisory services offered by D.A. Davidson through its Programs, which are intended, among other things, to assist the client in determining which mutual funds or other securities are most appropriate in considering the client's financial condition and objectives. Moreover, the mutual fund purchased directly by the client may also impose an initial or deferred sales charge. Taking such information into consideration, each client should carefully review and evaluate their investment objectives and risk tolerance, the investment advisory and brokerage services provided by D.A. Davidson and other firms, and the costs and expenses charged by such firms, before determining whether to open a D.A. Davidson advisory account and participate in a Program.

**Compensation Received by D.A. Davidson and Financial Advisors.** A Financial Advisor, who recommends a client open an advisory account will be compensated based on the amount of the Davidson Advisory Fee that the client pays. More information about how our Financial Advisors are compensated is provided in Item 9 below under Other Compensation.

Depending on the investments and frequency of trading in an account, the amount of compensation received by the Financial Advisor may be more or less than the amount of compensation he or she would receive if the client paid separately for similar services to be provided outside of the advisory relationship. Accordingly, the Financial Advisor may have an incentive to recommend a Program over non-advisory products or services offered by D.A. Davidson. In addressing this conflict of interest, D.A. Davidson and its Financial Advisors are supervised to the standards of care described in Item 4 above when providing investment advisory services. D.A. Davidson and its Financial Advisors meet those standards by evaluating each client's Investment Profile, and determining whether the portfolio recommended is in the best interest of the client. D.A. Davidson has also adopted and enforces policies and procedures intended to ensure the Firm and its Financial Advisors comply with their fiduciary duties.

**Rollovers and Transfers.** D.A. Davidson and its Financial Advisors both make more money when a client increases their assets with D.A. Davidson, including through rollovers from workplace retirement plans or IRAs at other financial services companies into IRAs with the Firm (“rollovers or transfers”). When a client engages in a rollover or transfer to an advisory IRA (or other account), D.A. Davidson will receive compensation in connection with the investments held in the IRA and D.A. Davidson will pay a portion of that compensation to the Financial Advisor. These payments create an incentive for D.A. Davidson and its Financial Advisors to recommend rollovers and transfers. D.A. Davidson’s Financial Advisors do not make recommendations to roll assets out of a plan or transfer assets from an IRA, but rather provide investors who are eligible to withdraw their benefits from workplace retirement plans or IRAs at other financial services companies with educational materials to help them determine whether or not to complete a roll out or transfer and confirm that such determination was made independently without the Financial Advisor’s recommendation. Where clients cannot make an independent decision to rollover and meet certain monetary thresholds, D.A. Davidson can provide a recommendation through a centralized team whose compensation is not impacted by whether or not the assets are brought to the Firm. The centralized team 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 interest.

## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT SIZE REQUIREMENTS**

Participation in each of the Programs is subject to the below initial minimum account size requirements and any minimum maintenance requirements determined in D.A. Davidson’s sole discretion. Minimum account sizes vary by Program and may vary depending on the type of portfolio selected for the client’s account. The chart below provides the minimum initial investment required for each Program, but these minimums may be higher depending on the portfolio and investment manager selected. If client’s account falls below the minimum maintenance requirements, the D.A. Davidson Financial Advisor may recommend a different Program, portfolio, or investment manager or that the advisory relationship be terminated.

<b>Program</b>	<b>Minimum Initial Investment</b>
MFP	\$5,000
RMS	\$25,000
SAM Manager	\$50,000
SAM Model	\$25,000
MAC	\$100,000
UMA Discretion	\$10,000
UMA Select	\$100,000
UMA Guided	\$1,000,000
Paragon	\$5,000
Paragon CWAM	\$10,000
Choice	\$24,000

### **TYPES OF CLIENTS**

D.A. Davidson offers the Programs to the following types of clients: individuals; high net worth individuals; pension and profit-sharing plans; trusts; estates; corporations or other businesses; charitable organizations; state or local municipal government entities; partnerships; limited liability entities; and foundations and endowments.

## **Item 6 Portfolio Manager Selection and Evaluation**

As described in Item 4 above, D.A. Davidson is the sponsor overseeing the Programs and its role, including the investment manager evaluation process it conducts, varies by Program. D.A. Davidson employs senior investment professionals with different areas of investment expertise to conduct investment oversight of the Programs. These professionals conduct the following types of reviews, among others, to oversee the Programs:

- review the performance of the MFP, RMS, SAM, and UMA Programs relative to their assigned benchmarks and peer groups;
- provide diverse perspective on current market and economic conditions as well as the capital markets in



- relation to strategic asset allocation targets;
- set the securities transaction parameters for the Paragon, Paragon CWAM and Choice Programs described below;
- review and approve the investment products offered within the Paragon, Paragon CWAM and Choice Programs;
- evaluate and determine the addition or removal of investment managers, mutual funds, and asset allocations relevant to the Programs and as described below;
- evaluate the capital markets, current and projected macroeconomic and other conditions; and
- engage in the product evaluation and approval process for complex products (such as annuities and alternative investments) that may be selected for Program accounts.

As described in Item 4 above under Program Enrollment, D.A. Davidson's Financial Advisors recommend a Program, portfolio, and investment manager (as applicable) to clients. Financial Advisors make these recommendations based on the client's Investment Profile and other preference clients have for the advisory account. The Financial Advisor's recommendations are subject to the Programs, portfolios, and investment managers available based on the review of D.A. Davidson's senior investment professionals described herein.

## **METHODS OF ANALYSIS AND STRATEGIES BY PROGRAM**

### **Managed Funds Portfolios (MFP)**

As described in Item 4 above under MFP, the MFP Program offers clients an investment strategy of asset allocation and portfolio investments (mutual funds, ETFs, and ETNs) from a series of model portfolios constructed by D.A. Davidson. D.A. Davidson delegates Envestnet as platform manager to implement, execute, monitor, and rebalance the client's Program account. D.A. Davidson retains all discretion regarding the model construction, changes to the models, timing and parameters for implementation, execution, monitoring and rebalancing.

**Methods of Analysis.** The MFP Program offers a number of asset allocation models based on the D.A. Davidson portfolio construction methodology. The asset allocations options differ among models based on client objectives, with different percentages of fixed income to equity based on the client's risk tolerance and investment style.

The investment allocations are then diversified into multiple asset classes. The number of asset classes used depends on whether the client is invested in the Classic portfolios or the Elite portfolios. The Classic allocations utilize core asset classes, including but not limited to, large cap growth, large cap value, small cap growth, small cap value, and international developed large cap for equity allocations and short-term bonds, intermediate bonds, investment-grade bonds, below investment-grade bonds, bank loan and global bonds for fixed income allocations. The Elite allocations utilize additional asset classes to provide greater diversification, including, but not limited to, emerging markets, commodities, and REITs within equity allocations and inflation-protected bonds within fixed income allocations.

In determining the asset classes and allocations to be used within each asset class, D.A. Davidson conducts a quarterly review of the qualitative and quantitative factors that impact the market including, but not limited to, macroeconomic trends, inflation, the labor market, and U.S. and global valuation.

To evaluate the investments (mutual funds, ETFs, and ETNs) for inclusion in the MFP model portfolios, D.A. Davidson utilizes both qualitative and quantitative measures. The initial process to screen securities for inclusion in the Program includes the following: 1) a general quantitative screen of the applicable universe of U.S.-registered mutual funds and ETFs in relation to factors such as operational qualities (costs, the robustness of information systems, and trading capabilities), portfolio composition, volatility/performance, and tax efficiency; 2) research on the specific issuer (relating to performance over time, versus benchmark and versus peers); and 3) a review of the relevant investment manager's philosophy, staffing, and investment process. From the list of issuers identified through this screening process, D.A. Davidson compiles a list of potential investments (which is subject to change from time to time). Criteria for replacement of an investment in the MFP models generally include fundamental changes in the operations of the investment manager; turnover in key investment manager personnel; changes in senior management or among owners of the investment manager; significant drift from the investment manager's stated objectives or style; prolonged underperformance by the investment manager in relation to its peers; or any other change that could warrant removal or replacement of the investment manager, including replacement as a result of D.A. Davidson identifying relatively more attractive investment opportunities.

**Investment Strategies.** The investment models available in the MFP Program currently include the below (Note: Available investment models are those available as of the date of this Brochure and are subject to change at any time without notice to clients. This Brochure will be updated annually to reflect any updates to this list.) The specific strategy client receives is provided upon enrollment in the MFP Program through a Statement of Investment Selection.

**a. Access Portfolio.** Access Portfolios invest in mutual funds and/or ETFs, selected consistent with the client's asset allocation and investment objectives. Access Portfolios are offered to investors who have a relatively small initial investment. D.A. Davidson offers 20 Access Portfolios, six of which are offered under two model iterations, MFP Access

and MFP Access Vanguard: All Equity, Capital Appreciation, Balanced, Balanced 50/50, Conservative Balanced, and Income. MFP Access Russell Investments offers five Portfolios: Equity Growth, Growth, Balanced, Moderate, and Conservative. MFP Access Davidson Investment Advisors Tactical Portfolio offers the final three portfolios: Capital Appreciation 75/25, Balanced 50/50, and Income 25/75. Further information regarding the conflicts of interest associated with DIA's role as an Access Portfolio investment manager is provided in this Item 6 below under Portfolio Management by Affiliates and Related Persons.

**b. Classic Portfolio.** Classic Portfolios invest in mutual funds selected consistent with the client's asset allocation and investment objectives. D.A. Davidson offers the following six Classic Portfolio selections: All Equity, Capital Appreciation, 70/30, Balanced, Balanced 50/50, Conservative Balanced, and Income.

**c. Focus Portfolio.** D.A. Davidson offers seven Focus Portfolios, each containing mutual funds, and/or ETFs/ETNs invested in specific asset classes intended to provide the client with exposure to one or more sectors of the market. The use of multiple mutual funds with varying investment styles is intended to reduce the risks inherent in any single mutual fund investment. Additional client account diversification may be achieved by incorporating one or more sub-styles (e.g., value and growth styles) in a mix selected consistent with the client's asset allocation and investment objectives. The following is an overview of the Focus Portfolios:

**i. Large Cap Portfolio.** Selected mutual funds, and/or ETFs/ETNs invested primarily in securities of large U.S. companies with market capitalizations generally exceeding \$10 billion. The portfolio contains a diversified blend of value and growth funds, rebalanced periodically in response to market conditions.

**ii. Small Cap Portfolio.** Selected mutual funds, and/or ETFs/ETNs invested primarily in securities of U.S. companies with market capitalizations generally below \$1.5 billion. The portfolio contains a diversified blend of value and growth funds, rebalanced periodically in response to market conditions.

**iii. International Portfolio.** Selected mutual funds, and/or ETFs/ETNs invested in securities issued outside of the U.S. The portfolio contains a diversified blend of value and growth funds with large cap, mid cap and small cap emphases, rebalanced periodically in response to market conditions.

**iv. Fixed Income Portfolio.** Selected mutual funds, and/or ETFs/ETNs invested in fixed income-oriented securities. The portfolio contains a diversified blend of fixed income funds that normally includes exposure to both domestic and non-U.S. government and corporate bonds of various maturities, rebalanced periodically in response to market conditions.

**v. Multi-Strategy Absolute Return Portfolio.** Selected mutual funds, and/or ETFs/ETNs invested in alternative investment-oriented securities. The portfolio contains a diversified blend of funds that normally includes broad alternative investment exposure, rebalanced periodically in response to market conditions. The intent of this portfolio is to diversify a traditional stock and bond portfolio.

**vi. Diversified High Income Portfolio.** Selected mutual funds, and/or ETFs/ETNs invested in securities seeking a high level of income with capital growth as a secondary objective. The portfolio contains a diversified blend of equity, fixed income, and real asset funds, rebalanced periodically in response to market conditions.

**vii. Core High Income.** Selected mutual funds, and/or ETFs/ETNs invested in securities seeking to provide a high level of income. The portfolio contains investments in fixed income securities and other asset classes, potentially reducing the reliance on a single strategy or approach to deliver a consistent income stream.

**d. Index-Based Portfolio.** The Index-Based Portfolios are managed portfolios that predominantly employ passive mutual funds, and/or ETFs/ETNs selected consistent with the client's asset allocation and investment objectives. D.A. Davidson offers six strategies under this arrangement: All Equity, Capital Appreciation, 70/30, Balanced, Balanced 50/50, Conservative Balanced, and Income.

**e. Socially Aware Portfolio.** Socially Aware strategies are diversified portfolios of actively managed mutual funds, index funds and ETFs ("Fund") that either: 1) broadly incorporate specific ESG criteria as a central factor in security selection processes; 2) specifically target one or more sustainability impact themes such as climate action, healthy ecosystems, basic needs, resource security, and human development in investment processes; 3) incorporate an investment process which seeks to reduce exposure to companies promoting undesirable products, industries or processes; or 4) consider ESG factors in a non-binding way by using shareholder or company engagement to pursue ESG goals. The investment process integrates ESG factors alongside the qualitative and quantitative measures described above. Potential Funds are initially identified by screening the Morningstar Direct™ database, a third-party portfolio management and research system, for Funds with certain qualitative factors such as a Fund's performance, portfolio composition, and costs. Funds that meet the initial requirements are then screened using Morningstar Direct™ for the desired socially responsible, sustainability or ESG focus ratings. Qualified securities are selected and monitored based on the MFP Socially Aware Portfolio Manager's assessment of the optimal combination of a Fund's sustainable attributes, its investment merits and the overall diversification needs of the model portfolios.



D.A. Davidson offers six Socially Aware strategies: All Equity, Capital Appreciation, 70/30, Balanced, Balanced 50/50, Conservative Balanced, and Income. Selected securities are strategically allocated across major traditional asset classes based on each offered strategy and diversified by market sector, size, and style. A security may be removed from the MFP Socially Aware portfolio if there is a material change in a Fund's portfolio managers, their investment strategy, objective or focus, if the risk/reward outlook for the security is considered unattractive as viewed by the MFP Socially Aware Portfolio Manager, or if a better candidate is identified. Morningstar's ESG ratings rely on the prospectus and other regulatory filings as reported by a Fund to identify any sustainability or ESG related objectives, themes, and investment practices. Uniform ESG reporting standards do not yet exist. This creates a wide range of complex issues and information to analyze when evaluating a company's ESG impact or rating. It should be noted that it is possible for the same security to receive different ratings from different analysis systems that consider and weight ESG factors differently. This may limit insight into a company's actual ESG standing. Managers that consider social factors typically invest in a more limited set of companies than other managers, which may have a positive or negative impact on their relative performance. The exclusion or inclusion of specific securities by investors cannot be accommodated in the model.

**f. Elite Portfolio.** Elite Portfolios utilize mutual funds and ETFs selected consistent with the client's desired asset allocation and investment objectives. Elite Portfolios are offered to investors who desire a higher degree of asset class exposure and additional diversification, as compared to other MFP portfolios. D.A. Davidson offers 34 Elite Portfolios, six under each of the four model iterations (Elite, Elite Tax-Aware, Elite Index-Based and Elite Manager Core) and five under the Elite Multi-Strategy, in which D.A. Davidson recommends a desired asset allocation for the client, and a corresponding portfolio of mutual funds and ETFs selected consistent with the client's needs and objectives.

The Elite Portfolio selections consist of the following: Elite All Equity, Elite Capital Appreciation, Elite 70/30, Elite Balanced, Elite Balanced 50/50, Elite Conservative Balanced, and Elite Income. These Portfolio selections rely on a greater allocation to actively managed mutual funds and a lesser allocation to passive investment vehicles such as ETFs, than the Elite Tax-Aware Portfolio selections described below. Further, these portfolios do not emphasize a higher weighting to a particular fund family, as do the Elite Manager Core Portfolios described below.

The Elite Tax-Aware Portfolio selections consist of the following: Elite Tax-Aware All Equity, Elite Tax-Aware Capital Appreciation, Elite Tax-Aware 70/30, Elite Tax-Aware Balanced, Elite Tax-Aware Balanced 50/50, Elite Tax-Aware Conservative Balanced, and Elite Tax-Aware Income. Retirement accounts are not eligible for the Elite Tax-Aware portfolio. While the Elite Tax-Aware portfolios will be managed with sensitivity to taxes, the primary objective of these portfolios is to produce positive risk-adjusted returns. The Elite Tax-Aware portfolios cannot entirely avoid the realization of capital gains. Capital gains could be realized when investments are sold, when portfolios are rebalanced, when mutual funds and ETFs held in the Elite Tax-Aware portfolios distribute short and/or long-term capital gains, and when clients request distributions or withdrawals.

The Elite Index-Based Portfolio selections consist of the following: Elite Index-Based All Equity, Elite Index-Based Capital Appreciation, Elite Index-Based 70/30, Elite Index-Based Balanced, Elite Index-Based Balanced 50/50, Elite Index-Based Conservative Balanced, and Elite Index-Based Income. The intent of the Elite Index-Based is to provide clients with a relatively higher degree of asset class diversification while predominantly employing passive mutual funds and ETFs.

The Elite Manager Core Portfolio selections consist of the following: Elite Manager Core All Equity, Elite Manager Core Capital Appreciation, Elite Manager Core 70/30, Elite Manager Core Balanced, Elite Manager Core Balanced 50/50, Elite Manager Core Conservative Balanced, and Elite Manager Core Income. The intent of the Elite Manager Core Portfolios is to provide a relatively higher-weighted portfolio in a specific fund family. The primary objective of the Elite Manager Core Portfolios is to achieve positive risk-adjusted returns, and the secondary objective is to allow the account to focus on a featured core manager.

The Elite Multi-Strategy Portfolio selections consist of the following: Elite Multi-Strategy All Equity, Elite Multi-Strategy Capital Appreciation, Elite Multi-Strategy 70/30, Elite Multi-Strategy Balanced, Elite Multi-Strategy Balanced 50/50, and Elite Multi-Strategy Conservative Balanced. The intent of these Portfolios is to provide clients with broad alternative investment exposure within the MFP Elite framework. Emphasis is placed on efficiently diversifying a traditional stock/bond portfolio while 1) providing low correlation to broad equity and fixed income markets, 2) delivering moderate returns over time with lower volatility, and 3) providing downside protection relative to equity markets. Clients should note the Elite Multi-Strategy portfolios include an allocation to mutual funds with alternative investment exposure.

## **Russell Investments Model Strategies (RMS)**

As described in Item 4 above under RMS, the RMS Program offers clients an investment strategy of asset allocation and portfolio investments from a series of model portfolios constructed by Russell Investments. D.A. Davidson delegates Envestnet as platform manager to implement, execute, monitor, and rebalance the client's Program account. Russell Investments retains all discretion regarding the model construction, changes to the models, and timing and parameters for implementation, execution, monitoring, and rebalancing of the client's Program account, while D.A. Davidson conducts due diligence on the RMS models

**Due Diligence of Russell Investments.** As Russell Investments is the investment manager for the RMS Program, D.A. Davidson is responsible for periodically reviewing and generally overseeing the RMS portfolios offered in the RMS Program.

D.A. Davidson conducts this review by utilizing several quantitative and qualitative criteria. The quantitative screening process involves defining the asset class and management style, and evaluating the RMS portfolios relative to several returns-based criteria that is provided through a third-party database. These screens focus on business level risks (such as product history and manager tenure), holdings-based risks (such as sector diversification and weightings), performance-based risks (such as tracking error and peer group performance) and execution risk. The qualitative review applies proprietary criteria to certain factors deemed significant, including but not limited to the consistency of style relative to performance, the tax efficiency/sensitivity of the manager in advising a fund, the quality of the investment management professionals employed by that firm, the manager's investment processes, and other operational and legal factors. D.A. Davidson meets with Russell Investments annually to help facilitate this review.

**Methods of Analysis.** The investment manager in the RMS Program has different investment objectives, styles, and strategies, and also purchase and sell different types of securities to achieve those objectives. In addition, the investment manager's strategy may change in response to market conditions. In the RMS Program, Russell Investments determine asset allocation and investment selection decisions in the manner described in their Form ADV 2A Disclosure Brochure, which clients receive upon enrollment in the RMS Program. Clients may also request a copy at any time by contacting their Financial Advisor.

**Investment Strategies.** The RMS Program does not offer all of the portfolios available from Russell Investments as described in the Russell Investments Form ADV 2A Disclosure Brochure. The investment models available in the RMS Program currently include the below and are selected based on the diligence process described above (Note: Available investment models are those available as of the date of this Brochure and are subject to change at any time without notice to clients. This Brochure will be updated annually to reflect any updates to this list). The specific strategy client receives is provided upon enrollment in the RMS Program through a Statement of Investment Selection.

**a. Core Model Strategies.** The Core Model Strategies invest in actively managed mutual funds selected consistent with the client's asset allocation and investment objectives. D.A. Davidson offers five Core Model Strategies selections: Equity Growth, Growth, Balanced, Moderate, and Conservative. The Core Portfolio selections include an allocation to alternative investments.

**b. Tax-Managed Model Strategies.** Tax-Managed Model Strategies generally reflect the allocations of the Core Model Strategies but are managed with sensitivity to taxes. The primary objective of the Tax-Managed portfolios is to produce positive risk-adjusted returns; a secondary objective is tax efficiency. The Tax-Managed portfolios cannot entirely avoid the realization of capital gains. Capital gains could be realized when investments are sold, when portfolios are rebalanced, when mutual funds and ETFs held in the Tax-Managed portfolios distribute short- and/or long-term capital gains, and when clients request distributions or withdrawals. The Tax-Managed portfolio selections consist of the following: Equity Growth, Growth, Balanced, Moderate, and Conservative. Retirement accounts do not qualify for a Tax-Managed portfolio.

**c. Hybrid Model Strategies.** The Hybrid Model Strategies provide multi-asset global portfolios, diversified across equity, fixed income and alternative investments, depending on the client's investment objectives and risk tolerance. Hybrid Model Strategies take a multi-manager approach, combining actively managed mutual funds, multifactor mutual funds, and passive mutual funds and ETFs. D.A. Davidson offers five Hybrid Model Strategies: Equity Growth, Growth, Balanced, Moderate, and Conservative.

## Separate Account Management (SAM)

As described in Item 4 above under SAM, the SAM Program is offered in two versions: (1) SAM MF/ETF Single Strategy (referred to in this Brochure as "SAM Model") and (2) SAM Equity/Fixed Single Strategy (referred to in this Brochure as "SAM Manager" (together with SAM Model, the "SAM Program"). In the SAM Program an investment manager is responsible for selecting the allocations and investments used. In SAM Manager, an investment manager that is not designated as an Envestnet Model Provider the investment manager also retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account, whereas in SAM Model and SAM where an investment manager is designated as an Envestnet Model Provider, D.A. Davidson retains the discretion and delegates such discretion to Envestnet as the platform manager.

Financial Advisors can recommend investment managers to clients for the SAM Model Programs based on a review and selection process conducted by D.A. Davidson and the Financial Advisors independent evaluation. Clients should ask their Financial Advisor how they determined which investment manager to recommend to them.

Financial Advisors can recommend investment managers to clients for the SAM Manager Program based on a review and selection process conducted by either D.A. Davidson or Envestnet's PMC research teams and the Financial

Advisor's independent evaluation. Clients should ask their Financial Advisor how they determined which investment manager to recommend to them.

When D.A. Davidson conducts this research to make an investment manager available in the SAM Program, it utilizes several quantitative and qualitative criteria to assess each investment manager. The quantitative evaluation process involves defining the investment manager's asset class and management style and evaluating them relative to several returns-based criteria. These screens focus on business level risks (such as product history and manager tenure), holdings-based risks (such as sector diversification and weightings), performance-based risks (such as tracking error and peer group performance) and execution risk. The qualitative review applies proprietary criteria to certain factors deemed significant to assessing investment managers, including their consistency of style relative to composite performance, their tax efficiency/sensitivity in advising a fund, the quality of the investment management professionals employed by that investment manager, their investment processes, and other operational and legal factors.

D.A. Davidson will only make an investment manager available based on Envestnet's PMC research if it is on the PMC Approved List. For information about how Envestnet's PMC research team conducts research and determined the PMC Approved List, see the Envestnet 2A ADV Disclosure Brochure. For ongoing availability of investment managers, D.A. Davidson conducts periodic reviews of all the investment managers available in the SAM Program (whether selected by D.A. Davidson or Envestnet's PMC research team) and will often engage outside data providers and utilize software tools to assist in ongoing evaluations. D.A. Davidson will place those investment managers made available based on D.A. Davidson's research on "Watch List" status if material adverse changes occur in their business, including a change in the firm's ownership, the departure of key investment personnel, extreme performance that may be indicative of style drift or a breakdown in investment processes, and an extended period of underperformance relative to a benchmark and/or category peers. D.A. Davidson will place those investment managers made available based on Envestnet's PMC research team on the "Watch List" once it is no longer on the PMC Approved List. Generally, an investment manager who is on Watch List status for more than three consecutive quarters will be 1) moved back to recommended status if D.A. Davidson deems it prudent to do so, or 2) terminated from the SAM Program. D.A. Davidson has sole discretion to terminate a manager from the SAM Program, in which case the client will be notified.

DIA is an available investment manager in SAM Manager. Because DIA is a D.A. Davidson affiliate, D.A. Davidson does not assess them in the same manner as other investment managers in the SAM Program and will not remove DIA as an available investment manager. Further information regarding the conflicts of interest associated with DIA's role as an investment manager is included in this Item 6 below under Use of Affiliated Funds and Investment Management by Affiliates and Related Persons.

D.A. Davidson has a number of portfolios created by its Wealth Management Research department included in the SAM Manager Program. Because these are D.A. Davidson portfolios, D.A. Davidson does not assess them in the same manner as other investment managers in the SAM Program and will not remove them as an available investment manager in the SAM Program. Further information regarding the conflicts of interest associated with D.A. Davidson Wealth Management Research's role as an investment manager is included in this Item 6 below under Use of Affiliated Funds and Investment Management by Affiliates and Related Persons.

#### **Methods of Analysis for Investment Strategies (other than D.A. Davidson Wealth Management Research).**

Investment managers in the SAM Program implement different investment objectives, styles, and strategies, and also purchase and sell different types of securities to achieve those objectives. In addition, an investment manager's strategy may change in response to market conditions. In the SAM Program, asset allocation and investment selection decisions are determined by the investment manager in the manner described in their Form ADV 2A Disclosure Brochure, which clients receive upon enrollment in the SAM Program. Clients may also request a copy at any time by contacting their Financial Advisor. The Methods of Analysis for D.A. Davidson's Wealth Management Research portfolios along with a description of each portfolio is provided below.

**Methods of Analysis for Investment Strategies of D.A. Davidson Wealth Management Research.** D.A. Davidson Wealth Management Research Model Portfolios are diversified portfolios of equity securities that trade on U.S. exchanges. Security selection is made by the portfolio managers for each portfolio, while portfolio holdings are reviewed by the Wealth Management Research team at weekly investment meetings. Portfolios are concentrated in a few names with limited turnover, although that can change due to company-specific or market developments. Although the portfolios may not have holdings in all sectors (as defined by the MSCI Global Industry Classification Standard), portfolio managers strive to maintain diversity across most economic sectors.

The universe of eligible securities is created using fundamental, qualitative screening methods, along with additional specific screening criteria for the Dividend Achievers and ESG Achievers strategies. Portfolio managers identify high quality companies; those they qualify as businesses with industry leadership, skilled management, resilient profitability, and strength of balance sheet. They then use a fundamental, qualitative-based process to purchase selected companies they believe trade at a discount to their estimate of intrinsic value. At the company level, the portfolio managers assess factors that include, but are not limited to, competitive position and market share, profit margin trends and outlook, prospects and strategy for growth, use of debt and equity to support that growth, and success in achieving company targets. When determining their view of a company's intrinsic value, portfolio managers utilize multiple

valuation methods including, but not limited to, price-to-earnings ratios, enterprise value-to-sales multiples, enterprise value-to-cash flow multiples, and discounted free cash flow models.

**a. Dividend Achievers.** The D.A. Davidson & Co. Dividend Achievers Model Portfolio invests in U.S.-traded equities that have a minimum 10-year history of consecutive dividend increases and, in the opinion of the portfolio managers, have a positive outlook for future dividend growth. The primary objective of the portfolio is to emphasize consistent income with a growth component, while also minimizing risk. The stocks included in the portfolio are selected and monitored by members of D.A. Davidson's Wealth Management Research team, and the portfolio is actively managed. The overall dividend yield for Dividend Achievers is expected to be above the average market yield, however, may differ at times due to price movements. Securities may be removed from Dividend Achievers if the underlying company fails to sustain its record of consecutive annual dividend increases or if there is a significant change in company fundamentals. Changes to Dividend Achievers may also be prompted by the portfolio managers' view of the risk/reward profile offered by individual securities.

**b. Focus List.** The D.A. Davidson & Co. Focus List Model Portfolio seeks long-term outperformance versus the broad market through investment in stocks of quality companies that, in the opinion of the portfolio managers, are trading at a discount to the portfolio managers' estimate of fair value. In order to minimize turnover, maintain tax efficiency, and allow time for an investment thesis to develop, the Portfolio seeks a multi-year holding period in each position. Securities may be removed from Focus List if there is a significant change in company fundamentals or the stock exceeds the portfolio managers' estimate of fair value. Changes to Focus List may also be prompted by the portfolio managers' view that a security trades above its estimated intrinsic value or a more attractive holding is identified.

**c. ESG Achievers.** ESG Achievers is a concentrated equity portfolio that seeks long-term outperformance relative to the S&P 500 through investment in stocks of high-quality companies that also score favorably on Environmental, Social, and Governance (ESG) criteria. Eligible securities must be in the top 1,000 largest companies in the U.S. on the basis of market capitalization and possess strong fundamental characteristics as determined by the ESG Achievers portfolio managers. Those ultimately selected for inclusion will also have an ESG Risk Rating score from Sustainalytics that ranks in the top quartile (top 25%) of its subindustry, when compared to a company's peers, at the time of addition to ESG Achievers. All securities in ESG Achievers will be covered by D.A. Davidson research or D.A. Davidson Institutional Research. Securities may be removed from ESG Achievers if there is a material change in company or industry fundamentals, a deterioration of ESG Risk Rating ranking relative to subindustry peers as measured by Sustainalytics, and/or the managers view the risk/reward profile as unattractive. Sustainalytics' ESG Risk Ratings are based on financial materiality considerations that measure a company's risk exposure and risk management to subindustry-specific Environmental, Social, and Governance issues that are material to their business. The composite Risk Rating considers a variety of ESG issues, including, but not limited to, corporate governance, development, diversity, labor relations, health and safety, environmental impact, and other idiosyncratic issues. A company's rating does not necessarily indicate that the company is green or maintains low carbon emissions. Uniform ESG reporting standards do not yet exist. This creates a wide range of complex issues and information to analyze when evaluating a company's ESG impact or rating. It should be noted that it is possible for the same company to receive different ratings from different analysis systems that consider and weight ESG factors differently. This may limit insight into a company's actual ESG standing. The exclusion of specific securities or industries by investors cannot be accommodated in ESG Achievers portfolios.

## Managed Account Consulting (MAC)

As described in Item 4 above under MAC, the MAC Program offers clients the opportunity to hire or retain a third-party investment manager of their choosing to enter into separate Advisory Agreements with both D.A. Davidson and the third-party investment manager. The third-party investment manager retains all discretion regarding the model construction, changes to the models, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account.

In the MAC Program, clients are responsible for the appointment and continued retention of the third-party investment manager they select to manage their accounts. D.A. Davidson provides an initial review of the third-party investment managers that participate in the MAC Program, but D.A. Davidson expressly does not assume responsibility for the performance of the third-party investment manager selected by the client. Before accepting an account, D.A. Davidson typically runs the manager through the same quantitative screens applied to all the programs, the outcome of which will be a key determination as to whether D.A. Davidson will allow the manager to participate in the Program at the outset. These screens focus on business level risks (such as product history and manager tenure), holdings-based risks (such as sector diversification and weightings), performance-based risks (such as tracking error and peer group performance) and execution risk. Once a client is enrolled in the MAC Program, they work directly with the third-party investment manager. The Financial Advisor is responsible for any changes that would help client determine whether to continue working with the third-party investment manager or continue with the MAC Program.

**Methods of Analysis for Investment Strategies.** The third-party investment managers in the MAC Program have different investment objectives, styles, and strategies, and also purchase and sell different types of securities to achieve



those objectives. In addition, a third-party investment manager's strategy may change in response to market conditions. In the MAC Program, asset allocation and investment selection decisions are determined by the third-party investment manager in the manner described in their Form ADV 2A Disclosure Brochure, which clients receive upon enrollment in the MAC Program. Clients may also request a copy at any time by contacting their Financial Advisor.

## Unified Managed Account (UMA)

As described in Item 4 above under UMA, the UMA Program is available in three versions: (1) UMA Select, (2) UMA Discretion, and (3) UMA Guided.

### Methods of Analysis for Choosing Investment Sleeves in UMA Select and UMA Discretion.

To recommend, select and combine investment sleeves, Financial Advisors employ diverse investment strategies, techniques, and methods of analysis, each of which may change depending, among other things, on changes in market conditions. Some Financial Advisors use models and distinct strategies, while others use a more customized approach.

In the UMA Select and UMA Discretion Programs, the client's specific investment objectives, and how those objectives are implemented, are determined between the client and Financial Advisor directly. D.A. Davidson recommends that clients speak with their Financial Advisor regarding the latter's investment strategies, techniques, and methods of analysis reasonably anticipated to be deployed in the management of the account.

**Methods of Analysis for Individual Mutual Funds, ETFs and ETNs in UMA Select and UMA Discretion.** D.A. Davidson maintains a list of available mutual funds, ETFs, and ETNs that can be selected by the Financial Advisor for use in the UMA Program. The investments in UMA Select are chosen from D.A. Davidson's Supervised Mutual Fund and ETF Research List, which will be modified from time to time.

To evaluate the investments, D.A. Davidson utilizes both qualitative and quantitative measures. The initial process to screen securities for inclusion in the Program includes the following: 1) a general quantitative screen of the applicable universe of U.S.-registered mutual funds and ETFs in relation to factors such as operational qualities (costs, the robustness of information systems, and trading capabilities), portfolio composition, volatility/performance, and tax efficiency; 2) research on the specific issuer (relating to performance over time, versus benchmark and versus peers); and 3) a review of the relevant investment manager's philosophy, staffing, and investment process. From the list of issuers identified through this screening process, D.A. Davidson compiles a list of potential investments (which is subject to change from time to time). Criteria for replacement of an investment on the list generally include fundamental changes in the operations of the investment manager; turnover in key investment manager personnel; changes in senior management or among owners of the investment manager; significant drift from the investment manager's stated objectives or style; prolonged underperformance by the investment manager in relation to its peers; or any other change that could warrant removal or replacement of the investment manager, including replacement as a result of D.A. Davidson identifying relatively more attractive investment opportunities.

**Methods of Analysis for Investment Strategies within MFP, RMS, SAM Sleeves.** The investments available within the MFP, RMS, and SAM sleeves are as described for each in this Item 6 above. As noted, for RMS and SAM portfolios/models and investment selection decisions are determined by an investment manager in the manner described in their Form ADV 2A Disclosure Brochure, which clients receive upon enrollment in the UMA Program when choosing one of those sleeves (except for portfolios by D.A. Davidson Wealth Management Research, which are described in this Brochure). Clients may also request a copy at any time by contacting their Financial Advisor.

**Methods of Analysis for UMA Guided.** See the Envestnet 2A ADV Disclosure Brochure for information regarding the methods of analysis for UMA Guided portfolios.

## Paragon

As described in Item 4 above under Paragon, the Paragon Program offers clients an investment strategy of asset allocation and portfolio investments customized to the client by the Paragon Manager, who retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account.

D.A. Davidson requires that Financial Advisors meet and maintain several eligibility requirements in order to become Paragon Managers, including minimum tenure with D.A. Davidson, certain educational attainments, and achieving certain annual continuing education criteria. Paragon Managers must also submit a Written Investment Discipline for review and approval by D.A. Davidson, which describes their investment philosophy and methods of analysis in detail. Paragon Managers are also subject to the Security and Transaction Parameters of the Paragon Program, which are set by D.A. Davidson.

**Methods of Analysis for Investment Strategies.** Paragon Managers employ diverse investment strategies, techniques, and methods of analysis, each of which may change depending, among other things, on changes in market conditions. Some Paragon Managers have model portfolios and distinct strategies, while others use a more customized approach to implementation of their investment strategy based on a client's unique needs. Paragon Managers may

also pursue diverse objectives for client accounts, such as aggressive growth of capital, moderate growth of capital, or preservation of capital; may focus on certain issuers based on their market capitalization (such as large caps or small caps); favor a particular investment style (such as growth, value or core); or may recommend purchasing and selling certain types of securities (such as stocks, bonds or mutual funds). Some Paragon Managers will specialize in one or more of the areas referred to above, and therefore implement an investment strategy in a more concentrated fashion, while other Paragon Managers will actively focus on diversifying the client's account assets.

In the Paragon Program, the client's specific investment objectives, and how those objectives are implemented, are determined between the client and Paragon Manager directly. D.A. Davidson recommends that clients speak with their Paragon Manager regarding the latter's investment strategies, techniques, and methods of analysis reasonably anticipated to be deployed in the management of the account.

In regard to selecting alternative investments for client's Paragon accounts (i.e., hedge funds and certain private market funds), D.A. Davidson's Managed Assets Department has established an initial and ongoing due diligence process. The process is designed to help ensure any alternative investments approved for investment allocations or strategies made available to clients have been properly vetted and are suitable and consistent with the client's Investment Profile. This includes but is not limited to an initial review of third-party reports, offering documents and marketing materials, in-person meetings and interviews with the fund or fund sponsor's key management personnel, an evaluation of the investment philosophy, process and performance, the general business practice and financials, regulatory compliance and disclosure documents, risk management and strategic planning. The ongoing due diligence process includes among other things annual due diligence meetings with the fund or fund sponsor, quarterly information updates and interviews as necessary, and a review of performance and regulatory reporting. Senior investment professionals at D.A. Davidson review the due diligence conducted on any proposed alternative investment product and have the authority to approve the product with additional conditions, as they deem appropriate.

**Security and Transaction Parameters Paragon.** Accounts participating in the Paragon Program are subject to the non-exhaustive list of restrictions referenced below, which list may be modified from time to time by D.A. Davidson in its discretion:

- As of January 1, 2024, no more than 5% of the account is permitted to be held in cash for more than 90 consecutive days.
- Short sales are prohibited.
- Margin is prohibited.
- Volatility, Leveraged and inverse ETFs are prohibited.
- Option transactions are limited to covered calls and protective puts in proportion to the relevant underlying equity position or cash.
- Individual equities:
  - An account can be concentrated up to 30% of the account's value in a single equity.
- Individual Fixed Income securities:
  - An account can be concentrated up to 30% of the account's value in a single fixed income security.
- Advisory variable annuities are allowed with approval. All other Annuities are prohibited.
- Pooled investments, including mutual funds (closed-end funds and UITs) purchased in an advisory or equivalent share class.
  - Any share class of Davidson Funds (Davidson Investment Advisors) in ERISA or IRA accounts is prohibited.
  - An account can be concentrated up to 60% of the account's value in a pooled investment vehicle.
  - Alternative strategy mutual funds are restricted to a percentage of the client's total investable assets, based on the client's risk tolerance.
- Alternative investments, including hedge funds, private markets (real estate funds, private credit, private equity and interval funds) are restricted to a percentage of the client's total investable assets, based on the client's risk tolerance. Investor qualification requirements also must be met in the case of private placement offerings.
  - Alternative funds are limited to advisory share class strategies purchased via our approved alternative investment platform SEC 1940 Act Mutual Funds and ETFs/ETNs classified as alternative investments.
- Principal trades are allowed only when they are in the client's best interest based on the financial information and investment objectives provided by the client.
  - Under no circumstances are principal trades and new issues allowed in ERISA or IRA accounts.
- Agency cross transactions are generally prohibited. Please see further information in Item 9 below under Additional Information and Participation or Interest in Client Transactions.
- Factorable securities (e.g., CMOs and GNMA's) are prohibited.
- Securities trading below \$5 per share on Over-The-Counter Markets are prohibited.
- The risk level of an account can be maintained at one degree higher or one degree lower than the client's target risk level.
- An account can be concentrated up to 50% in one particular sector.

- Non-publicly traded securities cannot be purchased.
- If an account has low trade activity for an extended period of time D.A. Davidson may in its sole discretion, immediately, upon sending notice to the client, terminate the management of the account and convert the account to a Brokerage Account.

In some cases, accounts transitioned from legacy investment management programs will continue to hold securities positions that would otherwise be ineligible under the Paragon Program. Additionally, at the discretion of D.A. Davidson's Managed Asset Department, certain Financial Advisors may be granted limited exceptions to the above investment guidelines, including permission to use margin, permission to hold security positions that would otherwise be ineligible under the Paragon Program. In these cases, client will pay a Total Advisory Fee based on these ineligible assets until they are able to be liquidated.

## Paragon CWAM

As described in Item 4 above under Paragon CWAM, certain Financial Advisors have been approved to offer the CWAM Portfolios. Recommendations of CWAM Portfolios depend on the client's asset allocation and investment objectives and have the following strategies available: CWAM- Montecito; CWAM- Foundations; and CWAM- Eagle. Each of these offers several models based on the client's time horizon, risk tolerance, income needs, and tax profile.

The CWAM Portfolios are developed by the CWAM Managers, who are certain Financial Advisors that develop and manage client assets in these portfolios and retain all discretion regarding portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Paragon CWAM account.

D.A. Davidson requires that CWAM Managers meet and maintain several eligibility requirements in order to provide this service, including minimum tenure with D.A. Davidson, certain educational attainments, and achieving certain annual continuing education criteria. The CWAM Managers must also submit a Written Investment Discipline for review and approval by D.A. Davidson, which describes their investment philosophy and methods of analysis in detail. CWAM Managers are also subject to the Security and Transaction Parameters of the Paragon Program, which are set by D.A. Davidson.

**Methods of Analysis for Investment Strategies.** CWAM Managers employ diverse investment strategies, techniques, and methods of analysis in creating the model portfolios, each of which may change depending, among other things, on changes in market conditions.

Clients should discuss the investment strategies, techniques, and methods of analysis reasonably anticipated to be deployed in the management of the account with the CWAM Managers.

In regard to selecting alternative investments for client's Paragon CWAM accounts (i.e., hedge funds and certain private market funds), D.A. Davidson's Managed Assets Department has established an initial and ongoing due diligence process. The process is designed to help ensure any alternative investments approved for investment allocations or strategies made available to clients have been properly vetted and are suitable and consistent with the client's Investment Profile. This includes but is not limited to an initial review of third-party reports, offering documents and marketing materials, in-person meetings and interviews with the fund or fund sponsor's key management personnel, an evaluation of the investment philosophy, process and performance, the general business practice and financials, regulatory compliance and disclosure documents, risk management and strategic planning. The ongoing due diligence process includes among other things annual due diligence meetings with the fund or fund sponsor, quarterly information updates and interviews as necessary, and a review of performance and regulatory reporting. Senior investment professionals at D.A. Davidson review the due diligence conducted on any proposed alternative investment product and have the authority to approve the product with additional conditions, as they deem appropriate.

**Security and Transaction Parameters Paragon CWAM.** Permitted Investments and non-Permitted Investments for the Paragon CWAM Program are the same as the Paragon Program. However, accounts transitioned from legacy CWAM accounts will continue to hold securities positions that would otherwise be ineligible under the Paragon Program.

## Choice

As described in Item 4 above under Choice, the Choice Program offers clients an investment strategy of asset allocation and portfolio investments customized to the client by a D.A. Davidson Financial Advisor. In the Choice Program client

appoints D.A. Davidson to provide investment advice and recommendations for the assets in the client's Program account, but the client retains full authority over the decisions (including the authority to buy, sell, or hold securities and the timing of these actions). Neither D.A. Davidson nor a Financial Advisor has investment discretion and may not buy or sell securities in connection with a client account without their consent.

D.A. Davidson requires that Financial Advisors meet and maintain several eligibility requirements in order to participate in the Choice Program, including minimum tenure with D.A. Davidson, and achieving certain annual continuing education criteria. Financial Advisors who participate in the Choice Program are also subject to the Security and Transaction Parameters of the Choice Program, which are set by D.A. Davidson.

**Methods of Analysis for Investment Strategies.** In the Choice Program, the Financial Advisor advises the client on an appropriate investment strategy, which includes security selection and general asset allocation. Financial Advisors participating in the Choice Program will utilize diverse investment strategies, techniques, and methods of analysis, which may change depending, among other things, on changes in market conditions. Because the Choice Program is non-discretionary, the client is ultimately responsible for the actual implementation of the investment strategy they adopt. Financial Advisors will use a customized approach to make recommendations for client's Choice account based on the information in the client's Investment Profile and investment circumstances. In making recommendations to Choice Program clients, Financial Advisors may recommend from among different investment objectives, such as aggressive growth of capital, moderate growth of capital, and preservation of capital; may focus on issuers with certain market capitalizations (such as large caps or small caps); may focus on certain investment styles (such as growth, value or core); or may favor purchasing and selling certain types of securities such as stocks, bonds or mutual funds). Some Financial Advisors may specialize in one or more of the areas referred to above and may therefore recommend clients invest their assets in a more concentrated fashion, while other Financial Advisors may recommend the client focus on diversifying account assets.

Before engaging a Financial Advisor in the Choice Program, D.A. Davidson recommends the client speak with their Financial Advisor regarding the investment strategies, techniques, and methods of analysis the Financial Advisor may use to formulate recommendations to the client, while actively considering the client has sole investment discretion in relation to the account, and will make the final decision whether to accept or reject the Financial Advisor's recommendation to pursue a particular investment strategy or purchase or sell specific securities.

In regard to selecting alternative investments for client's Choice accounts (i.e., hedge funds and certain private market funds), D.A. Davidson's Managed Assets Department has established an initial and ongoing due diligence process. The process is designed to help ensure any alternative investments approved for investment allocations or strategies made available to clients have been properly vetted and are suitable and consistent with the client's Investment Profile. This includes but is not limited to an initial review of third-party reports, offering documents and marketing materials, in-person meetings and interviews with the fund or fund sponsor's key management personnel, an evaluation of the investment philosophy, process and performance, the general business practice and financials, regulatory compliance and disclosure documents, risk management and strategic planning. The ongoing due diligence process includes among other things annual due diligence meetings with the fund or fund sponsor, quarterly information updates and interviews as necessary, and a review of performance and regulatory reporting. Senior investment professionals at D.A. Davidson review the due diligence conducted on any proposed alternative investment product and have the authority to approve the product with additional conditions, as they deem appropriate.

**Security and Transaction Parameters Choice Program.** The same as those for the Paragon Program, described above.

## **CALCULATION AND REVIEW OF PERFORMANCE AS PART OF THE DILIGENCE PROCESSES**

**Investment Manager Performance.** D.A. Davidson evaluates the performance as a component of due diligence related to the RMS, SAM, and the UMA Select and UMA Discretion programs. The evaluation includes a review of the calculations that are based on a time-weighted-return methodology. Time-weighted performance is often used as an industry standard to compare investment managers as it measures the compounded rate of growth, while removing the distorting effects caused by the inflow or outflow of funds in a portfolio. For the RMS, SAM Model and UMA Program portfolios with a SAM Model sleeve, Envestnet calculates the time-weighted-performance information based on the composite of accounts for each portfolio from data on the Envestnet platform. For the SAM Manager and UMA Program portfolios with a SAM Manager sleeve, Envestnet obtains the time-weighted performance information based on the composite of accounts for each portfolio from the investment managers.

MFP Program and certain SAM Manager portfolio performance is provided by D.A. Davidson's Managed Asset Research and Wealth Management Research departments for their respective portfolios, using a composite of accounts, which is an aggregation of client accounts at D.A. Davidson within the same portfolio and performance period being presented.

D.A. Davidson's Managed Assets Research Department periodically reviews the performance for the Programs



described above and believes the performance calculations and sources of this information to be reliable. Some, but not all, SAM Managers report Global Investment Performance Standards (“GIPS”) compliant composite performance, which are voluntary standards used by investment managers, established by the CFA Institute, and governed by the GIPS Executive Committee to help ensure fair and accurate reporting. **However, D.A. Davidson does not verify or guarantee the accuracy or completeness of the performance information, the data provided by any external source, or compliance with any particular presentation standards, prior to its use with clients or prospective clients.**

For Paragon, Paragon CWAM, MAC, and Choice, neither D.A. Davidson nor a third-party reviews portfolio manager performance information in determining whether the Financial Advisor can continue to provide investment management to clients. A client’s actual individual account performance is available to clients in a quarterly performance report. Although a time-weighted return methodology is also used in the quarterly performance calculations, a client’s actual account performance and their corresponding Program portfolio performance will differ due to the client’s applicable fee schedule, the timing of account allocations and transactions, and the calculation date and time period.

For UMA Guided performance is evaluated by PMC, as described in the Envestnet 2A ADV Disclosure Brochure.

## **USE OF AFFILIATED FUNDS AND INVESTMENT MANAGEMENT BY AFFILIATES AND RELATED PERSONS**

Mutual funds issued by DIA, a D.A. Davidson affiliate (“Affiliated Funds”), are available in the Paragon, Paragon CWAM and Choice Programs, except within retirement accounts. Affiliated Funds cannot be selected in any of the other Programs. D.A. Davidson and its affiliates have a financial conflict of interest when Affiliated Funds are selected for Paragon, Paragon CWAM and Choice accounts because D.A. Davidson affiliates earn compensation for advisory, distribution and administrative services provided to the Affiliated Funds. This compensation is in addition to the Total Annual Fee, resulting in the receipt of two levels of fees by the D.A. Davidson family of companies. The receipt of two levels of fees may be significant, both in absolute dollar amounts and relative to D.A. Davidson’s net income and creates an incentive for D.A. Davidson to cause the Paragon, Paragon CWAM and Choice Programs to choose and continue to retain Affiliated Funds over unaffiliated mutual funds. D.A. Davidson seeks to address this conflict of interest by disclosing it in this Brochure and by not sharing additional revenue with advisors. Clients can also request that Financial Advisors not purchase Affiliated Funds in their Paragon, Paragon CWAM and Choice accounts.

DIA acts as an investment manager in the SAM Manager, UMA Select and UMA Discretion Programs (not in UMA Guided), as described in Item 4 above. D.A. Davidson and DIA have a financial conflict of interest when DIA is selected as an investment manager in the SAM Manager, UMA Select and UMA Discretion Programs because, under these circumstances, both the Davidson Advisory Fee and Management Fee are retained by the D.A. Davidson family of companies. This means that, through these arrangements, D.A. Davidson and its affiliates receive higher total compensation than if the client selected an unaffiliated investment manager. D.A. Davidson seeks to address this conflict by disclosing it in this Brochure and not incentivizing advisors to select DIA. In addition, D.A. Davidson engages an independent third-party to evaluate new DIA portfolios for initial inclusion in the SAM Program.

D.A. Davidson, in providing the D.A. Davidson Wealth Management Research portfolios, acts as an investment manager in the SAM Manager Program, as described in Item 4 above. D.A. Davidson has a conflict of interest when the Wealth Management Research portfolios are selected in the SAM Manager Program because, under these circumstances, both the Davidson Advisory Fee and platform fee portion of the Management Fee are charged to the client and retained by D.A. Davidson. The client is not charged the non-platform portion of the Management Fee. This conflict of interest is mitigated by assessing the same platform fee for all SAM investment managers and all investment sleeves in the UMA Programs.

Further information about D.A. Davidson’s Related Persons, the conflicts of interest noted above, and how D.A. Davidson addresses these conflicts of interest, is provided in Item 9 below under Other Financial Industry Activities and Affiliations and Code of Ethics.

## **ADVISORY BUSINESS**

As described in Item 4 above under Services, Fees and Compensation, D.A. Davidson and its Financial Advisors provide investment management services through the Programs. D.A. Davidson receives all or a portion of the fee charged to clients for providing these services. In offering advisory services, D.A. Davidson considers every client situation individually, based on information provided by clients, including information included in the client’s Investment Profile. Not every Program is suitable for a client. Clients may impose reasonable investment restrictions on the management of their accounts.

## **PERFORMANCE-BASED FEES**

D.A. Davidson does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client’s account assets).

## RISK OF LOSS

Clients should understand investing in any security involves a risk of loss of both income and principal. Securities analysis methods, including those utilized by D.A. Davidson, assume the companies whose securities trade in the markets, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we attempt to remain alert to indications that data is incorrect, there is always a risk that D.A. Davidson's analysis is compromised by inaccurate or misleading information. D.A. Davidson does not guarantee the future performance of the account or any specific level of performance, the success of any investment or strategy that D.A. Davidson may make or recommend, or the success of the overall management of the account.

The following is a non-exhaustive summary of specific risks associated with each type of investment analysis implemented by D.A. Davidson through the Programs:

**Fundamental Analysis.** Fundamental analysis attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the issuer itself) to determine if the company is underpriced or overpriced (buy or sell indicators). Fundamental analysis does not attempt to anticipate market movements. This analysis presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in assessing the intrinsic value of the security.

**Technical Analysis.** Technical analysis involves the use of statistical data, and trends in that data, to identify trading opportunities. Technical analysis does not consider the underlying financial condition of a company, or the intrinsic value of its securities. This type of analysis presents a risk in that a poorly managed or financially unsound company may underperform regardless of larger movements in the market.

**Cyclical Analysis.** This form of technical analysis involves studying cycles in the economy and financial markets. In this type of technical analysis, the movements of a particular stock are measured relative to the overall market in an attempt to predict the price movement of the security. The risk most commonly associated with this analysis is that the overall measurement is incorrect.

**Quantitative Analysis.** Quantitative analysis uses complex mathematical models and statistics to analyze past events to make investment decisions about security performance (or larger market movements) in the future. Common risks encountered in using quantitative analysis are that the models used are based on assumptions that prove to be incorrect, and that the underlying sets of historical data utilized by the manager are incomplete.

**Qualitative Analysis.** Qualitative analysis involves the analysis of unquantifiable information, such as management decisions, to evaluate investment opportunities in the company's securities. A risk in using qualitative analysis is that our subjective analysis of the information is proven incorrect.

**Asset Allocation.** A risk of an incorrect asset allocation decision is that the client does not participate in a sharp increase in a particular security, industry, or market sector. Another risk is that the ratio of equities, fixed income, and cash holdings will change over time due to security-value and market movements and, if not corrected (i.e., through rebalancing), will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** A common risk of mutual fund and/or ETF analysis is that, as with other securities investments, past performance does not guarantee future results. A manager who has been successful in identifying profitable opportunities among mutual funds may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a mutual fund or ETF, managers of different funds held by the client may purchase the same security, creating concentrated exposure for the client to that security and increasing the risk to the client if that security were to fall in value. There is also a risk of a manager deviating from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

The following is a non-exhaustive summary of general risks involved in investing through any of the Programs:

**Interest Rate Risk.** Fluctuations in interest rates cause the prices of securities to fluctuate. For example, bond market values have an inverse relationship to changes in interest rates. Generally, the longer a bond's maturity, the greater the interest rate risk and the higher its yield. Similarly, equities may also suffer from rising interest rates.

**Market Risk.** Market risk is the risk of investment losses due in a client's account due to a variety of reasons outside of D.A. Davidson's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, epidemic, pandemic, or social events, independent of the intrinsic valuation of one or more securities in the client's account.

**Inflation Risk.** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. Inflation risk is therefore the risk of inflation exceeding the return of an investment in the client's account.

**Currency Risk.** Among other risks, investments in non-U.S. securities are subject to fluctuations in the value of the dollar relative to the currency of the country in which the issuer is based. This is also referred to as exchange rate risk. Currency risk could lead to a loss for a client, for example, when the proceeds from the sale of the non-U.S. security, which may be in a devaluing foreign currency, are converted to a relatively stronger U.S. dollar.

**Reinvestment Risk.** This is the risk that future proceeds from investments have to be reinvested at a potentially lower rate of return (e.g., due to reductions in interest rates). This risk primarily relates to client account investments in fixed income securities.

**Business Risk.** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on cost-effectively finding oil, extracting it, and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of potential profitability than an electric company, which generates its income from a steady stream of customers who buy electricity regardless of the prevailing macroeconomic environment.

**Liquidity Risk.** Liquidity is the ability to readily convert a security into cash. Generally, securities in a client's account are more liquid if many individuals are interested in buying or selling them. For example, Treasury Bills are highly liquid, while real estate properties are relatively illiquid. Liquidity risk is therefore the risk that a client will not be able to promptly sell a security due to a limited market for that instrument.

**Financial Risk.** Excessive borrowing to finance a business' operations may create a degree of stress on the firm to the point of jeopardizing its profitability, and potentially triggering a default on one or more outstanding loans. Depending on the circumstances, such a development could lead to a declining value in the company's securities, or even its bankruptcy.

**Insurance Carrier Risk (specific to eligible programs for advisory variable annuity and insurance products).** This is the risk associated with an insurance carrier's financial strength in meeting current, ongoing, and senior financial obligations, which are obligations to policy/contract holders. An insurance carrier's balance sheet strength, operating performance and financial profile are major factors that quantify an insurance carrier's financial strength.

**Global Economic Risk.** National and regional economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country, region or market might adversely impact issuers in a different country, region, or market. Changes in legal, political, regulatory, tax and economic conditions may cause fluctuations in markets and securities prices around the world, which could negatively impact the value of an account's investments. Major economic or political disruptions, particularly in large economies, may have global negative economic and market repercussions. Additionally, events such as war, terrorism, natural and environmental disasters and the spread of infectious illnesses or other public health emergencies may adversely affect the global economy and the markets and issuers in which an account invests. These events could reduce consumer demand or economic output, result in market closure, travel restrictions or quarantines, and generally have a significant impact on the economy. Such events could materially increase risks, including market and liquidity risk, and significantly reduce account values.

**Cybersecurity Risk.** Client portfolios are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events that include, but are not limited to, gaining unauthorized access to digital systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

**Technology Risk.** The offerings within the Programs are dependent upon various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. The successful operation of the Program could be severely compromised by system or component failure, telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as "hacking"), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunication systems or operations could have a material adverse effect on the Programs. Such a material adverse effect may have a heightened impact on some of the Programs given the automated nature of the services provided.

**Concentration Risk.** This is the risk that a client's portfolio is heavily allocated in one or few securities, industries, sectors, or geographic locations. This increases the impact of negative or positive performance compared to a portfolio which is diversified.

**Specific Security Risks.** In addition to the above risks, each security type used in the Programs has certain characteristics and is subject to a risk of loss that clients should be prepared to bear. For more information about risks

associated with stocks, bonds, mutual funds (including alternative strategy mutual funds), ETFs, ETNs, options, alternatives, structured products, UITs (including buffered UITs), options, and advisory variable annuities clients should speak with their Financial Advisor. For risks associated with mutual funds and ETFs in client's account, see the fund's current prospectus.

If clients are enrolled in a Program that utilizes the Envestnet platform, please refer to the Envestnet 2A ADV Disclosure Brochure for associated risks.

## VOTING CLIENT SECURITIES

**Proxy Voting in each Program.** D.A. Davidson votes securities on behalf of its clients in the MFP (as of February 5, 2024), Paragon and Paragon CWAM Programs, and for the D.A. Davidson Wealth Management Research portfolios offered under SAM Manager (as of February 5, 2024) in accordance with the Advisory Agreement, consistent with applicable laws and regulations and the Firm's policies and procedures relating to the voting of proxies. Where D.A. Davidson is responsible for voting proxies, it also votes proxies relating to securities held in accounts subject to ERISA, unless the plan documents specifically reserve proxy-voting authority to the plan sponsor.

D.A. Davidson does not vote securities on behalf of clients in the Choice Program or for any assets not custodied at D.A. Davidson. Clients retain the responsibility to vote proxies relating to securities in their accounts.

D.A. Davidson directs Envestnet or a third-party investment manager or sub-manager to vote securities on behalf of clients in the SAM, RMS, and UMA Programs. Envestnet has implemented policies and procedures and other controls for voting these proxies. Further information on Envestnet's proxy voting policy and procedures can be found in Envestnet's Form ADV, Part 2A, which is provided to clients upon enrollment in each of these programs, available upon request or can be found online by searching for Envestnet Asset Management online at [adviserinfo.sec.gov](https://adviserinfo.sec.gov). For accounts participating in SAM Manager, proxy voting is delegated to the investment managers or sub-managers (and not retained by Envestnet). In those instances, the investment manager is responsible for voting, or abstaining from voting, in connection with any proxy solicitation relating to a security in the client's account. Information about the investment managers' proxy voting policies and procedures can be found in each of their Form ADV, Part 2A, provided to clients upon enrollment, available upon request or available online by searching for the investment manager at [adviserinfo.sec.gov](https://adviserinfo.sec.gov). Note, however, that for certain third-party investment managers or sub-managers clients would be responsible to vote their own proxies.

Clients in the MAC Program may retain the responsibility to vote proxies relating to securities in their accounts, depending on the terms of the advisory agreement between the client and the investment manager. D.A. Davidson does not take any action to vote client securities in the MAC Program.

In all Programs, clients may retain the right to vote proxies for their own accounts, or direct D.A. Davidson to vote a proxy in a particular manner, so long as the client timely notifies their Financial Advisor in writing (including by email).

### Proxy Voting Process When D.A. Davidson is Responsible for Voting Proxies.

**Proxy Advisor Firm and Voting Methodology.** D.A. Davidson has engaged a third-party Proxy Service Vendor to provide proxy voting administrative duties and proxy voting recommendations from another third-party Proxy Advisory Firm ("Proxy Advisor"). The Proxy Advisor recommendations are pre-populated into the Proxy Service Vendor's electronic voting platform, subject to the preapproval requirements identified below. Proxies that are not escalated for preapproval are automatically executed pursuant to the Proxy Advisor's pre-populated voting recommendations. Proxies are generally voted in accordance with the Proxy Advisor recommendations, but D.A. Davidson reserves the right to exercise its own judgment on a case-by-case basis, to serve its client's best interests once it has determined that such a vote would not involve an identified firm related conflict of interest. In these situations, D.A. Davidson will generally vote in favor of proxy proposals that enhance the independence of board membership, against measures that promote anti-takeover defenses, and for incentive compensation that would align management interests with shareholder interests, including stock-based compensation and restricted stock award programs. Corporate governance issues, however, are diverse and continually evolving and these general policies may not be relevant in some circumstances.

**Proxy Voting Committee.** D.A. Davidson's Investment Adviser Proxy Voting Committee (the "Proxy Committee") includes senior personnel from D.A. Davidson and one or more of its Related Persons. The Proxy Committee meets periodically to monitor D.A. Davidson's overall adherence to and the effectiveness of the Firm's proxy voting policies and procedures. The Proxy Committee also reviews the internal controls and independence of the third-party vendors on no less than an annual basis. In addition, the Proxy Committee preapproves any contested or controversial proxies, requests to deviate from the Proxy Advisor's voting recommendations, and proxies that are not covered by D.A. Davidson's proxy voting policies and procedures.

**Class Action Notices.** D.A. Davidson will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in a client's Program account(s), including in connection with the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct D.A. Davidson to transmit a copy of any class action

notices to the client or to a third-party. Upon such direction, D.A. Davidson will use commercially reasonable efforts to forward such notices to the person identified by the client in a timely manner.

**Conflicts of Interest.** D.A. Davidson and its supervised persons have various conflicts in relation to voting client proxies, which may include personal investments, outside activities, personal relationships, and management of investment accounts for or on behalf of publicly traded companies. D.A. Davidson, as a dually registered brokerage firm, also provides underwriting services for public companies, makes a market in select securities, and uses the services of select public companies for core systems. D.A. Davidson believes, however, that its retention of the Proxy Service Vendor, use of the Proxy Advisor recommendations, its adherence to its proxy voting policies and procedures and oversight by the Proxy Committee help to ensure proxies are voted appropriately.

Further information on how client proxies were voted and a copy of D.A. Davidson's proxy voting policies and procedures may be requested, free of charge, by contacting their Financial Advisor or writing to: D.A. Davidson & Co. Attention: Compliance Department, 8 Third Street North, Great Falls, MT 59401.

## **Item 7 Client Information Provided to Portfolio Managers**

As described in Item 4 above, Financial Advisors are responsible for gathering client's Investment Profile (i.e., investment objectives, risk tolerance, time horizon, financial information, and other circumstances) as well as their liquidity needs and any reasonable restrictions the client wishes to impose upon the management of the account.

The Financial Advisor will then use this information to recommend a Program for the client. Client's information that is shared with the investment manager depends on the Program in which the client is enrolled, as follows:

For MFP, the investment manager is D.A. Davidson which has all of client's information including personal and account information.

For RMS, the investment manager does not receive any client information. Envestnet, as the platform provider, has access to client's personal and account information.

For SAM Model, the investment manager does not receive any client information. Envestnet, as the platform provider, has access to client's personal and account information.

For SAM Manager, the investment manager does not receive any client information. Envestnet, as the platform provider, has access to client's personal and account information.

For MAC, where the client has a direct contractual relationship with the investment manager all of the client's information is shared with the investment manager including their personal and account information.

For UMA, the information provided to the investment manager and Envestnet, as platform provider, depends on the Program sleeves selected.

For Paragon, Paragon CWAM and Choice, the investment managers are D.A. Davidson Financial Advisors who have all of client's information including personal and account information.

It is ultimately the client's responsibility to advise D.A. Davidson of any changes to the information previously provided that might impact their account. Neither D.A. Davidson nor any investment manager, nor Envestnet is responsible for independently verifying information or data provided by a client, or for any adverse consequence arising out of or in any way connected with the client's failure to promptly communicate the updated or new information to any of these persons.

## **Item 8 Client Contact with Portfolio Managers**

Client's contact with investment managers depends on the Program in which the client is enrolled.

The MFP, RMS, SAM, MAC and UMA Programs employ investment managers as described in Item 4 above. D.A. Davidson does not restrict a client's authority to contact or consult with any of the investment managers for these Programs. In MAC, the client has direct access to the investment manager in relation to the client's account. However, client's primary point of contact for all Program accounts is their Financial Advisor. Your Financial Advisor serves as the communication conduit between the client and any of the investment managers in relation to matters concerning MFP, RMS, SAM, MAC and UMA Program accounts.

The investment managers for the Paragon, Paragon CWAM and Choice are D.A. Davidson Financial Advisors and clients enrolled in these Programs have direct access to them.



## **Item 9 Additional Information**

### **DISCIPLINARY INFORMATION**

The following is a summary of disciplinary events relating to D.A. Davidson, its management, and Affiliates that the Firm believes may be material to a prospective client's decision of whether to retain the Firm to provide investment advisory services. Certain disclosures below relate to disciplinary events that occurred with predecessor firms that were acquired by D.A. Davidson Companies, the Parent of D.A. Davidson.

Further information regarding these settlements and other disciplinary matters relating to D.A. Davidson and its Affiliates is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients can search this site using D.A. Davidson's CRD number, which is 199.

#### **Disciplinary Information Relating to D.A. Davidson's Advisory Business**

The SEC issued an Order dated March 11, 2019 (SEC Administrative Proceeding File No. 3-19094) (the "SCSD Order"), relating to the resolution of a matter under the Division of Enforcement's Share Class Selection Disclosure Initiative (the "SCSD Initiative"). The violations referred to in the SCSD Order were self-reported by D.A. Davidson. Pursuant to the SCSD Order, the SEC deemed it appropriate and in the public interest that public administrative and cease-and-desist proceedings be instituted against D.A. Davidson alleging that the Firm willfully violated Sections 206(2) and 207 of the Advisers Act in connection with its mutual fund share class selection practices and the fees it received pursuant to Rule 12b-1 under the Company Act. In connection with the SCSD Order, D.A. Davidson consented to: (a) cease and desist from committing or causing any violations and any future violation of sections 206(2) and 207 of the Advisers Act; (b) be censured; (c) pay disgorgement and prejudgment interest in the amount of \$654,276.41; and (d) comply with certain undertakings. As noted in the SCSD Order, in determining the settlement offer the SEC considered that D.A. Davidson self-reported its conduct to the SEC pursuant to the SCSD Initiative.

#### **Disciplinary Information Relating to D.A. Davidson's Broker-Dealer Business**

In October 2018, D.A. Davidson, without admitting or denying the allegations, consented to findings and sanctions by FINRA that it failed to apply available mutual fund share class sales charge waivers to eligible retirement and charitable organization Brokerage Accounts, and to implement proper supervisory system and training procedures (NASD Rule 3010 and FINRA Rule 3110 violations). The matter was previously self-reported to FINRA by D.A. Davidson in May 2016. As part of the settlement, D.A. Davidson paid \$447,000 in restitution, including interest, to approximately 303 customer accounts. D.A. Davidson was not fined as a result of its self-reporting of the matter and its cooperation with FINRA. D.A. Davidson also updated its training, policies and procedures, and other controls intended to ensure that an appropriate mutual fund share class is selected for clients, and that mutual fund sales charge waivers are applied in commission-based account transactions. This matter did not involve any wrap fee advisory clients of D.A. Davidson.

In February 2016, a regulatory action disclosure relating to the SEC's Order dated February 2, 2016 (SEC Admin Releases 33-10019; 34-77021) (the "MCDC Order") was issued. The SEC MCDC Order was issued under the Division of Enforcement's Municipalities Continuing Disclosure Cooperation Initiative, and the violations referred to therein were self-reported by D.A. Davidson. This included allegations of anti-fraud provision, due diligence, and continuing disclosure failures for the underwriting of certain municipal securities offerings, and the offering of municipal securities on the basis of materially misleading disclosure documents (SEC Rules 15c2-12 violations). During the relevant period the SEC found the official statements for six securities offerings, between the period of 2012 – 2014, failed to disclose that the municipal issuers had either failed to file annual audited financial statements, or to file notices of late filings. Pursuant to the MCDC Order, the SEC deemed it appropriate and in the public interest that public administrative and cease-and-desist proceedings be instituted against D.A. Davidson arising for willfully violating Section 17(a)(2) of the Securities Act (an antifraud provision of the federal securities laws) related to the underwriting of certain municipal securities offerings. In connection with the MCDC order, D.A. Davidson paid a \$500,000 fine to the SEC. In addition, D.A. Davidson engaged an independent consultant to review and update the Firm's policies, procedures, and other controls to help ensure compliance with the Firm's regulatory requirements.

In November 2015, D.A. Davidson, without admitting or denying the allegations, consented to the findings by FINRA that it violated best execution and standards of commercial honor and principles of trade requirements under FINRA Rules 5310 and 2010, respectively. More specifically, during the review period of October 2013 through December 2013, FINRA found that in seven customer transactions D.A. Davidson failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under the prevailing market conditions. D.A. Davidson was censured and fined \$22,500 and ordered to pay restitution to the clients impacted by the event. Although D.A. Davidson believed this was an isolated issue, additional controls were implemented to help prevent further violations, including technological controls to identify pricing variances on executed trades and processes to address such matters.

In May 2015, D.A. Davidson, without admitting or denying the allegations, consented to the findings of the Nasdaq Stock Market, LLC. ("NASDAQ") that it violated SEC Rule 101 of Regulation M by purchasing shares on a principal basis (i.e., a proprietary account) in 84 transactions, in its capacity as market maker while being a public offering

distribution participant. In general Regulation M is designed to prevent or mitigate market manipulation and restricts the activities of distribution participants that could artificially influence a market for an offering. In addition, NASDAQ alleged D.A. Davidson's supervisory system was not reasonably designed to achieve compliance with the aforementioned securities laws, in violation of NASDAQ Rules 3010 and 2110. D.A. Davidson was censured and fined \$17,500. Internal controls were also updated to help prevent any repeated violation, including enhancement to an internal watch list for securities in which D.A. Davidson is participating in the public offering.

#### **Disciplinary Information Relating to Crowell Weedon Broker-Dealer Business**

As noted above, prior to its acquisition by D.A. Davidson Companies, Crowell Weedon operated as an independent dually registered investment adviser and broker-dealer. The following is a summary of certain adverse disciplinary events relating to Crowell Weedon and previously disclosed by that firm, which may be material to a prospective client's decision of whether to retain D.A. Davidson to provide investment advisory services.

In August 2014, D.A. Davidson, without admitting or denying the allegations, consented to the findings that Crowell Weedon violated FINRA rules relating to the supervision of registration filings for its registered representatives (FINRA Form U4, Form U5 or NYSE 351(d) filings). More specifically, on 80 occasions from December 2007 through July 2012, Crowell Weedon filed late, inaccurate, or failed to file registration form amendments. The amendments generally related to reporting customer complaints, income tax judgments/liens, and outside business activities for Crowell Weedon's registered representatives. FINRA found the forgoing conduct to constitute separate and distinct violations of NASD Rule 3010(a) and 3010(b) and NASD Rule 2110 for conduct occurring before December 15, 2008, and FINRA Rule 2010 thereafter. As Crowell Weedon had since merged with D.A. Davidson, and as part of the agreement, the Firm consented to a censure and fine of \$120,000.

#### **Disciplinary Information Relating to SMITH HAYES Broker-Dealer Business**

Prior to its acquisition by Davidson Companies SMITH HAYES also participated the SEC MCDC Initiative. An MCDC Order was issued by the SEC's Division of Enforcement in June 2015 for violations referred to therein that were self-reported by SMITH HAYES. This included allegations of anti-fraud provision, due diligence, and continuing disclosure failures for the underwriting of certain municipal securities offerings, and the offering of municipal securities on the basis of materially misleading disclosure documents (SEC Rule 15c2-12 violations). SEC found the official statements in 2011 and 2013 securities offerings failed to disclose that the municipal issuer had not filed any annual financial reports that it had previously undertaken to make since 2009 and failed to file required notices of late filings. Pursuant to the MCDC Order, the SEC deemed it appropriate and in the public interest that public administrative and cease-and-desist proceedings be instituted against SMITH HAYES arising for willfully violating Section 17(a)(2) of the Securities Act (an antifraud provision of the federal securities laws) in regard to the underwriting of certain municipal securities offerings. In connection with the MCDC SMITH HAYES paid a \$40,000 fine to the SEC, and discontinued underwriting of certain municipal securities in early 2016.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

D.A. Davidson, a dually registered investment adviser and broker-dealer, is a wholly owned subsidiary of D.A. Davidson Companies, a financial services holding company. D.A. Davidson Companies' other subsidiaries, known as "Related Persons," are Davidson Investment Advisors, Inc., a federally registered investment adviser, and D.A. Davidson Trust Company ("Davidson Trust"), a federally chartered savings bank.

**Broker-Dealer Services.** D.A. Davidson is registered as both a broker-dealer and investment adviser. Financial Advisors engaged in providing advisory services (including through one or more Programs) are registered as investment adviser representatives in each state where such registration is required. Many D.A. Davidson Financial Advisors are also registered representatives of D.A. Davidson in its capacity as a broker-dealer. When acting as a broker-dealer, Financial Advisors provide brokerage and related services to clients, including in relation to the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, life insurance policies and annuities, and other products. These broker-dealer recommendations and any subsequent implementation are separate and distinct from the advisory services. See the D.A. Davidson Regulation Best Interest Disclosure at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for more information about D.A. Davidson's Brokerage Services.

**Davidson Investment Advisors ("DIA").** Financial Advisors may refer institutional clients that meet certain minimum account size requirements to DIA in its capacity as an investment adviser. Financial Advisors may also recommend DIA as an investment manager in the SAM and UMA Programs. DIA also creates certain model portfolios for D.A. Davidson's use in MFP Access. While DIA receives additional compensation for doing so, clients are not charged differently for these portfolios than others in the MFP Program.

In addition, D.A. Davidson serves as the broker-dealer and custodian for some DIA clients.

Where clients make a non-discretionary decision for DIA to serve as the investment manager in the SAM or UMA Programs, the total management fee assessed to the client could be higher than the total fee a client would have paid had they engaged DIA directly to provide investment management services, when considering the fees to be paid to

D.A. Davidson and to Envestnet. Further information regarding fees, including the fees charged in the MFP, SAM, and UMA Programs, is provided in Item 4 above under Fees.

Where clients make a non-discretionary decision for DIA to serve as the investment manager in the SAM or UMA Programs the fees retained by the D.A. Davidson family of companies are higher than if a different investment manager was selected. Given this conflict, DIA is only permitted to be selected as a non-discretionary choice in the SAM Manager and UMA Select Programs. DIA is only available in UMA Discretion on an exception basis, except DIA is not available for retirement accounts in the UMA Discretion Program. The client must make the final decision to select DIA as the investment manager.

When D.A. Davidson Financial Advisors refer institutional high net worth clients to DIA to manage assets in its capacity as an independent investment adviser, a portion of the fees that clients pay to DIA (typically, 20%-60%, with the average being 43%) are taken into account when determining the Financial Advisors' compensation. Clients do not pay more for our affiliates' services as a result of the referral from client's Financial Advisor.

**Davidson Mutual Funds.** DIA is the investment adviser to Davidson Mutual Funds, an investment company registered under the Investment Company Act. U.S. Bank Global Fund Services acts as Davidson Mutual Funds' administrator and provides fund accounting and transfer agency services. D.A. Davidson offers the funds to its brokerage and certain advisory clients as described below. See D.A. Davidson's Regulation Best Interest Disclosures at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for information about recommending Davidson Mutual Funds as a broker-dealer.

D.A. Davidson is permitted to purchase or recommend the purchase of Davidson Mutual Fund shares in Paragon, Paragon CWAM and Choice Program accounts (other than in retirement accounts). The client will not be charged a fee or load for initial or subsequent purchases of Davidson Mutual Funds shares, and any purchase will be made at Net Asset Value. When Davidson Mutual Funds shares are held in an account participating in a Program, the client will pay a fee based on the fair market value of the assets in the account, including the fair market value of Davidson Mutual Funds shares held in the account. Any new purchases of mutual funds in an account participating in a Program must be in Class I shares subject to no 12b-1 Fee. D.A. Davidson provides no financial or other incentive for the Firm or any Financial Advisor to favor Davidson Mutual Funds over another mutual fund managed by an investment adviser not affiliated with D.A. Davidson.

DIA receives fees for advising the Davidson Mutual Funds. Those fees are based on the amount of assets held in the Davidson Mutual Funds, which increases with any new purchases of fund shares. The fees charged by DIA for managing the Davidson Mutual Funds are disclosed in the relevant fund's prospectus. As a mutual fund shareholder, investors indirectly pay a portion of the ongoing expenses of the relevant fund. These expenses include the management fee charged by DIA, and all other ongoing fees and expenses incurred in the administration of the Davidson Mutual Funds.

Purchasing or recommending the purchase of Davidson Mutual Funds in advisory accounts presents a conflict of interest by retaining more compensation in the D.A. Davidson family of companies. D.A. Davidson only allows D.A. Davidson affiliated funds to be used in the Paragon, Paragon CWAM and Choice Program accounts that are not retirement accounts. In addition, the compensation Financial Advisors receive does not differ depending on whether D.A. Davidson affiliated funds are selected for the client's account.

Further information regarding the Davidson Mutual Funds, including a copy of the Prospectus and Statement of Additional Information for the funds, is available on-line at: [davidsonmutualfunds.com/](http://davidsonmutualfunds.com/). Prospective investors in the Davidson Mutual Funds should review these documents carefully before making any investment in a fund.

**Davidson Trust Company.** Financial Advisors may also refer clients to Davidson Trust to provide professional trust administration services, including recordkeeping, income distribution, bill paying, and general account administration. For making the referral, a portion of the fees that clients pay to DTC (50%) are taken into account when determining the Financial Advisor's compensation and those funds also generate payment at a 50% rate on their compensation grid, which may be higher than the rate for which they otherwise may have qualified. This fee sharing arrangement will not result in any increased charges to the client. Neither D.A. Davidson nor any Financial Advisor will provide trust support services for Davidson Trust as a result of the referral.

In addition, Davidson Trust may elect to hire DIA or a D.A. Davidson Paragon Manager as the investment adviser for certain client accounts over which Davidson Trust has investment discretion. Davidson Trust shares a portion of its investment management fee with the DIA for providing investment advisory services. D.A. Davidson Paragon Managers are paid at a 50% rate on their compensation grid as outlined above. This fee sharing arrangement creates a conflict of interest for D.A. Davidson, its Financial Advisors, and Davidson Trust because the total account administration and investment management fee is divided among Davidson Trust, the referring Financial Advisor, the investment adviser (i.e., D.A. Davidson or DIA), and D.A. Davidson Companies. However, when D.A. Davidson or DIA serve as the investment adviser for a Davidson Trust account, the total account fee for administrative and investment advisory services will be equal to or less than the total fees if the services were provided separately.

Davidson Trust may also administer accounts over which it does not have investment discretion. In such instances, the client may independently choose to hire a D.A. Davidson-related Paragon Manager to provide investment advisory



services to the account. In these arrangements, the total fee to the client will include separate charges by Davidson Trust for account administration and by D.A. Davidson for investment advisory services.

**San Pasqual Financial Holding Corporation (“San Pasqual Holdco”).** San Pasqual Holdco is a privately held, California corporation. Certain D.A. Davidson employees, in their personal capacity, own a minority interest in San Pasqual Holdco (the “Davidson Owners”). San Pasqual Holdco is the sole owner of San Pasqual Fiduciary Trust Company, a California Corporation, which is a state-chartered financial institution and trust company and of San Pasqual Fiduciary Trust Company, a Nevada Corporation, which is a Nevada state-chartered financial institution and trust company (together, the “San Pasqual Trust”). San Pasqual Trust provides trust administration services and but does not manage trust assets. Instead, the San Pasqual Trust 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 Advisors may refer clients to San Pasqual Trust for trust services, and San Pasqual Trust may allow the Financial Advisor to continue to manage the client’s assets, but San Pasqual Trust is under no obligation to do so. As a trustee, San Pasqual Trust is also authorized to hire a Financial Advisor to manage a trust’s investment assets. Although D.A. Davidson and San Pasqual Trust do not have any fee sharing or referral arrangements, 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. Otherwise, there are no financial incentives for a Financial Advisor to refer a client to San Pasqual Trust, or for San Pasqual Trust to refer a client to D.A. Davidson or a Financial Advisor. In providing investment management services, D.A. Davidson is a fiduciary and is required to act in the best interest of its clients. San Pasqual Trust is also a fiduciary, and similarly has a duty to act in its clients’ best interest. San Pasqual Trust has controls in place to provide impartial service, including in relation to the selection and ongoing oversight of investment managers. Accounts for which San Pasqual Trust acts as trustee are custodied at Reliance Trust Company, an FIS Company, which is not affiliated with D.A. Davidson or Davidson Companies.

**Outside Business Activities.** Some D.A. Davidson Financial Advisors have been approved to conduct business activities that compete for their time, outside the scope of their duties with D.A. Davidson. If a client’s Financial Advisor engages in any outside business activities, these activities can create an incentive for the Financial Advisor to spend more time on the outside business activity rather than on his or her relationships with advisory and other retail clients. All employees are required to obtain approval from their supervisor prior to engaging in such activities to help ensure the activity does not conflict with the duties with D.A. Davidson. In addition, any investment related activities or activities that provide a substantial source of the Financial Advisor’s income or involve a substantial amount of the Financial Advisor’s time must be disclosed on their Supplemental Brochure (ADV Part 2B).

## **CODE OF ETHICS AND PERSONAL TRADING**

**Code of Ethics.** D.A. Davidson has adopted a Code of Ethics, which sets forth the standards of business conduct required of its employees, including compliance with applicable federal securities laws. The Code of Ethics applies to all D.A. Davidson employees providing, or supporting the provision of, investment advisory services to clients (“access persons”), and, among other things, communicates the Firm’s fiduciary obligations when dealing with clients, imposes and explains rules related to trading by access persons in their personal securities accounts, and prohibits insider trading and other unethical business conduct.

The Code of Ethics is based upon the principle that D.A. Davidson owes fiduciary duties of loyalty and care to D.A. Davidson’s advisory clients. These duties require the Firm, and its access persons, to: provide investment advice in the client’s best interest; seek to obtain best execution of securities transactions in client accounts; and have a reasonable, independent basis for investment recommendations. D.A. Davidson access persons must also conduct their affairs, including when purchasing and selling securities in their personal securities accounts, in such a manner as to avoid: (i) placing their own personal interests ahead of client interests; (ii) taking inappropriate advantage of their position with the Firm; and (iii) creating any potential or actual conflicts of interest, or otherwise abusing their position of trust and responsibility. The Code of Ethics also prohibits Financial Advisors from placing personal transactions ahead of client transactions in the same security on the same day as he or she is placing a trade in a client’s account. An exception to this policy is permitted when the access person’s account is managed in the same manner as other client accounts and does not result in a more favorable price to the access person.

Clients may request a copy of the Code of Ethics by calling D.A. Davidson’s Compliance Department at 406-727-4200 or 800-332-5915.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

There are various ways that D.A. Davidson can be viewed as participating or having an interest in transactions to which a client is a party. These situations and any conflicts of interest that arise from such activities, including in relation to the manner in which D.A. Davidson or an Affiliate executes securities transactions for a Program account or other account, are discussed in this section and throughout this Brochure.

**Principal Trading.** Subject to the requirements of applicable laws and regulations, D.A. Davidson may act as principal

by purchasing securities for itself from, or selling securities it owns to, an account participating in a Program, but only on a case-by-case basis with written authorization from the client, and when it is in the best interest of the client to do so.

Principal Transactions may include, but are not limited to, trades in securities D.A. Davidson holds in its inventory or for which D.A. Davidson is a member of an underwriting syndicate. Client will pay the public offering price for securities purchased from an underwriter or dealer, including D.A. Davidson, involved in a distribution.

In addition to the advisory fee paid by a client, D.A. Davidson may realize profits from principal transactions with a client based on the difference between the price D.A. Davidson paid for the security and the price at which D.A. Davidson sold the security to the client, which may include a mark-up or mark-down from the prevailing market price, an underwriting fee, selling concession, or other incentive to execute the transaction. In trading as principal with a client, D.A. Davidson will have a conflict of interest because it will seek to maximize the benefit for its own account, while also seeking to obtain the best outcome for the client's account. The profit potential referred to above creates an incentive for D.A. Davidson to recommend a transaction in which D.A. Davidson acts as principal. In addition, D.A. Davidson may have an incentive to sell securities to clients' account because D.A. Davidson does not wish to hold the securities in its own inventory or because D.A. Davidson is part of an underwriting group and is compensated for distributing the security. Nonetheless, D.A. Davidson has a fiduciary duty to act in the best interest of clients and to seek to obtain best execution for its advisory clients. Furthermore, D.A. Davidson has adopted internal procedures intended to ensure that D.A. Davidson will not act in a principal capacity for any transaction in an advisory client's account (including an account participating in a Program), unless the terms of the transaction have been disclosed to the client, including the material information regarding D.A. Davidson's or the client's Financial Advisor's financial interest in the transaction, and the client has authorized the transaction in writing or the transaction is otherwise allowed by applicable law. Principal trades and new issues are not permitted in ERISA or IRA accounts.

**Agency Cross Transactions.** An "agency cross" transaction is a transaction in which D.A. Davidson acts as broker for the parties on both sides of the transaction. For its brokerage services, D.A. Davidson may receive compensation from both sides of the transaction. In acting for both sides of the transaction, the Firm will have a conflict of interest because, while it will generally seek to maximize the benefit from the transaction for both sides, D.A. Davidson will be compensated regardless of whether this objective is achieved. In the case of an advisory account, the client would also be paying an asset management fee based on the value of the assets in their account.

D.A. Davidson generally prohibits agency cross transactions for advisory clients, including for accounts participating in a Program. In rare instances, an exception may be made when D.A. Davidson determines that each respective transaction is consistent with the client's best interest and may reduce transaction and market impact costs. In such instances, D.A. Davidson, acting as investment manager, may recommend the sale of securities from an advisory client's account while at or about the same time recommending the purchase of the same securities for the account of another advisory client under certain conditions, including but not limited to the condition that D.A. Davidson would not receive any compensation from either side of the transaction and therefore not considered to be "acting as a broker" as defined in SEC Rule 206(3)-2 under the Advisers Act. Additionally, D.A. Davidson will seek to obtain the best execution of the transaction for each advisory client and will affect agency cross transactions only in accordance with the requirements of Rule 206(3)-2 under the Advisers Act, which also requires the client's informed consent prior to the completion of such transaction. No agency cross transactions may be affected for or on behalf of retirement accounts.

**Fractional Shares Liquidations.** Fractional interests in securities ("Fractional Shares"), representing a portion of a whole share for eligible securities, may arrive in a client's account as a result of several types of events: including, for example, dividend reinvestment programs (i.e., reinvested dividends in lieu of a cash payment), stock splits, or the division of a position in the underlying company (e.g. due to divorce). In certain circumstances, due to limitations with market and transfer infrastructure that does not support the sale or movement of Fractional Shares in exchange traded securities, a client's account may hold a Fractional Share in an equity or ETF position without any whole shares for the company in question. This may occur as the result of three scenarios described below. In each of the scenarios, D.A. Davidson will place orders to liquidate the fractional share on a principal transaction basis in order to monetize fractional shares on behalf of the customer where appropriate (see Principal Trading above for further information). In addition, D.A. Davidson has implemented procedures pursuant to conditions that must be met when liquidating Fractional Shares on behalf of a client on a principal basis. This includes, among other things, procedures to process the Fractional Share liquidation at no additional cost to the client, and to report the transaction in the client's trade confirm or monthly account statement. D.A. Davidson has implemented controls that would prevent the Firm from separately determining the timing of the principal transaction by automatically liquidating the fractional share once it accumulates into a whole share position for the underlying company from other transactions. Further information on the Fractional Share liquidation procedures is also available upon request by contacting their Financial Advisor.

1. Sell All Scenario. In the event an order is placed to sell all the shares of a position with Fractional Shares the Fractional Shares will be sold from the client's account into D.A. Davidson's principal account at the same price and as of the same trade date as the whole shares on the following business day.
2. Orphan Share Scenario. In the event fractional shares arrive in an account after the whole shares are sold or

transferred out of the account due to an impending dividend reinvestment payment, the fractional shares will be sold from the client's account into D.A. Davidson's principal account at the share's closing price as of the dividend payment date, on the following business day.

3. Account Transfer Scenario. In the event a position with fractional shares is transferred out of a client's account a Fractional Share position will remain due to the limitations in the transfer infrastructure. In this case, the Fractional Shares will be sold from the client's account into D.A. Davidson's principal account as of the review date's previous business day's closing price.

## BROKERAGE PRACTICES

In its capacity as an investment adviser, D.A. Davidson has a fiduciary duty to act in the best interest of clients and seek to obtain best execution for its advisory clients. This goes beyond simply minimizing individual transaction costs and includes an evaluation of the overall quality of trade execution, in aggregate, to maximize the total value achieved for clients. The following describes the order execution process, the factors that D.A. Davidson considers in selecting or recommending broker-dealers for client transactions, including orders placed by an investment manager in connection to applicable Program accounts, and other related matters.

**Best Execution.** D.A. Davidson typically provides trading and execution for Program accounts. However, investment managers can execute away from the Firm as described in this Item below under Transactions Executed Away. When selecting broker-dealers for the execution of a client transaction, D.A. Davidson evaluates the overall execution quality of client orders in aggregate to periodically assess which competing executing brokers offer the most favorable execution terms. Some of the factors considered by D.A. Davidson in determining where to direct an order are the execution speeds and costs, the opportunity to get a better price than what is currently quoted, execution capabilities, financial responsibility, the range and quality of services, and responsiveness to the adviser. In the case of fixed income securities, evaluations also could include among other things, a comparison of executions with publicly reported trade data under the prevailing market conditions, and based on the type of issue and transactions, access to quotations, accuracy of trade settlements, reporting, and communications.

D.A. Davidson makes a market in certain equity securities in its capacity as a broker-dealer. As a result, D.A. Davidson has a conflict of interest when it executes trades through its own broker-dealer for Program accounts. To help eliminate any conflicts the Firm does not execute any orders for the purchase and sale of equities in Program accounts.

**Soft Dollar Benefits.** Soft-dollar arrangements are the practice of paying brokerage firms for products and services such as research through directed trading and commission revenue. When engaging in soft dollar arrangements, investment advisers have a fiduciary obligation to make a good faith determination that any commissions paid by clients due to the directed trading are reasonable in relation to the value of the products and services received on behalf of the client. In addition, the investment adviser must ensure the soft dollar arrangements meet certain criteria under Section 28(e) of the Securities Exchange Act of 1934 and disclose any soft dollar arrangements to clients. **D.A. Davidson does not have any formal or informal soft dollar arrangements. However, some investment managers that execute transactions away from D.A. Davidson's trading platform have soft dollar arrangements with the broker-dealers orders are routed to.** Please refer to the Transactions Executed Away section below for further information. Clients are also encouraged to carefully review the soft dollar and other related disclosures in the investment manager's Form ADV Part 2A, when applicable to the management of their Program account.

**Payment for Order Flow.** Generally, the term "Payment for Order Flow" refers to payments that brokerage firms receive for routing clients' buy and sell orders to other firms or market centers for execution. 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.

**Directed Brokerage.** Some clients, when entering into an advisory relationship, may already have a relationship with a broker-dealer. In this circumstance, the client may instruct D.A. Davidson to execute all transactions through that broker-dealer. If the client directs D.A. Davidson to use a particular broker-dealer, the client understands, acknowledges, and agrees that D.A. Davidson will likely have no authority to negotiate commissions or to obtain volume discounts, and may be unable to achieve the most favorable execution terms for transactions made on behalf of the client's Program account. This practice may therefore increase the cost of such transactions in comparison to orders executed by broker-dealers selected by D.A. Davidson in the order routing process described above.

**Order Aggregation.** D.A. Davidson may, but is not required to, aggregate orders for the sale or purchase of the same security, placed on the same day for different client accounts managed under the same Program. This could include proprietary accounts managed under the same Program, such as the Firm's own accounts, accounts of Affiliates, D.A. Davidson employees (e.g., a Financial Advisor's personal account) and/or other persons related to D.A. Davidson. However, D.A. Davidson has controls in place to help ensure client trade allocations are fair and equitable and to prevent an employee/proprietary account from receiving a more favorable allocation than a client's account. Where order aggregation is employed, each account participating in an aggregated transaction will be charged or credited with the average price and, when applicable, its pro rata allocation of shares. For partial fills of orders in the Paragon

Program or Paragon CWAM, Paragon Managers allocate shares to client accounts on a pro rata basis. As noted above, there can be no assurance a Financial Advisor will purchase or sell the same securities for all such accounts participating in the same Program at the same time, or that the Financial Advisor will aggregate the client's orders with those of other clients. As a result, the client may receive different prices and executions for the same securities as compared to other clients making the same investment in that security. Orders for Choice Program accounts are not eligible for order aggregation because they are non-discretionary accounts where the Financial Advisor must obtain client's consent before executing a transaction.

**Transactions Executed Away.** Trading away or "step out" trading occurs when an investment manager (designated in the MAC, SAM, or UMA Programs) directs orders for and on behalf of a client's Program account away from D.A. Davidson's trading platform. Investment managers are required to seek to obtain best execution when placing trades for and on behalf of a client's Program account. To fulfill their best execution obligations, some investment managers will, from time to time, direct order flow away from D.A. Davidson. Clients may benefit from "step out" trading, which could result in price improvement, increased liquidity, and speed of execution of the trade. The investment manager could also direct orders away from D.A. Davidson's trading platform due to soft dollar arrangements (see "Soft Dollar Arrangements" above). **There are additional transaction costs associated with "step out" trading that are in addition to, and not included in, the asset-based fees charged for the Programs, or the fees charged by the investment manager.** The costs associated with "step out" trading are embedded within the execution price of the trade and, therefore, directly affect the value and performance of an investment portfolio. The impact of any additional transaction fees would also be compounded by the frequency of such transactions in a client's account. When a step out trade occurs in a client's account the client's trade confirmation will disclose the trade was executed away from D.A. Davidson and the additional transaction costs. D.A. Davidson does not receive any compensation for trades executed on a "step out" basis, and the fees paid for the management of client assets in a Program account do not change as a result of these types of transactions. To meet its best execution obligation, D.A. Davidson requires investment managers that route orders outside of the Firm's trading platform to certify their policy and procedures are reasonably designed to achieve compliance with the fiduciary duties and best execution requirements described above.

**Trade Errors.** It is D.A. Davidson's intention to effect transactions in Program accounts correctly, promptly, and in the best interests of clients. In the event an error occurs in the Firm's handling of these transactions, D.A. Davidson seeks to identify and correct the error as promptly as possible without disadvantaging the client. In general, in instances where D.A. Davidson is responsible for effecting the transaction incorrectly, the Firm will reimburse the client for any losses directly resulting from the trade error.

**No Representations Regarding Unaffiliated or Unassociated Investment Managers.** D.A. Davidson makes no representation regarding the future trading practices of any unaffiliated or unassociated investment manager in relation to its participation in any of the Programs. D.A. Davidson recommends that, before selecting any Program that relies wholly or partly on the investment advisory expertise and trade execution services of a unaffiliated or unassociated investment manager, the client carefully review that manager's Form ADV, Part 2A brochure, which includes additional information regarding that manager's brokerage practices.

## REVIEW OF ACCOUNTS

**Client Account Review.** Accounts of clients participating in a Program are monitored by the client's Financial Advisor and are subject to review by the designated supervisor.

The client's Financial Advisor reviews the client's account at least annually. This review requires the Financial Advisor to perform an individualized review and update, as necessary, the client's Investment Profile. In addition, this review generally covers client's investment portfolio, performance, market conditions, investment restrictions, if any, and any changes to their investment or financial information to help ensure the Firm's investment decisions and services continue to be appropriate for the client. However, the client should immediately notify the Financial Advisor regarding any material change in the client's personal and/or financial circumstances to determine whether any review of and/or revision to the Investment Profile is warranted. Examples of material changes include, but are not limited to changes in net worth, employment status, marital status, family size, occupation, residence, health or income level, investment objective or risk tolerance (for example, changes based on market events).

Additionally, the designated supervisor reviews certain trading activity and account positions in Paragon, Paragon CWAM and Choice Program accounts relative to the client's account Investment Profile and securities transaction parameters, as provided in Item 6 above.

D.A. Davidson will address any reasonable restrictions in the manner described under each Program's description in Item 4 above.

**Performance and Account Reports.** D.A. Davidson generally provides reports to clients on the performance of their Program accounts on a quarterly basis, subject to exceptions. For example, performance reporting may not be available for account assets, or available with the same frequency, if they are not custodied at D.A. Davidson. Client performance reports usually include a portfolio valuation and typically show the asset allocation of the client's portfolio,

changes in a client's portfolio, and account performance compared to a benchmark market index or indices (such as the S&P 500® Index, or the Barclays Aggregate Bond Index). Market indices or other benchmark returns are shown only for comparison purposes and may not be directly relevant to the client's assessment of the performance of their Program account. Performance returns reflect transactions costs (including from "step out" trading in the account), the appreciation or depreciation of assets held in the account, and the reinvestment of capital gains, dividends, interest, and other income received in the account. Clients should discuss with their Financial Advisor whether a report is available to them.

If D.A. Davidson provides custody services to a client participating in a Program, the client will receive a monthly D.A. Davidson account statement when activity occurs in the account during that month. At a minimum, a quarterly statement for the account is provided if there has not been any intervening monthly activity. If Program account assets are not custodied at D.A. Davidson, then the client will receive a periodic account statement directly from the qualified account custodian. D.A. Davidson is not responsible for the production of such third-party account statements and makes no representations regarding the accuracy or completeness of such statements. The third-party sourced statement is the official record of the Program account and the assets contained in it and should be reviewed carefully. The client should immediately notify their Financial Advisor if the client finds any discrepancies between the D.A. Davidson performance report and their custodian's account statement.

When preparing a client's account statements and performance reports, D.A. Davidson relies on third parties, such as security price-quotation service-providers and custodians, when determining the value of Program account assets. As noted elsewhere in this Brochure, D.A. Davidson believes the sources of this information to be reliable. However, D.A. Davidson does not review valuation information provided by third-party quotation service-providers or custodians, nor does the Firm verify or guarantee the accuracy or completeness of such information, or that the preparation or presentation of such information complies with any particular legal or regulatory requirements. Moreover, the security prices obtained by D.A. Davidson from a particular third-party quotation service-provider may differ from prices that could be obtained from other sources. If a client custodies Program account assets at a firm other than D.A. Davidson, the prices shown on a client's account statement provided by that custodian may be different from the prices shown on statements and reports provided to the client by D.A. Davidson due to different valuation sources utilized by D.A. Davidson and the custodian. In the event of a discrepancy between an official account statement and other reports or statements for the holdings and transactions in a client's Program account, the client's official account statement shall prevail.

## CLIENT REFERRALS

**Client Referrals.** D.A. Davidson pays referral fees to independent third parties and firms (each, a "Promoter," and collectively, "Promoters") for introducing clients to D.A. Davidson. Whenever D.A. Davidson pays a referral fee, the Firm requires that the Promoter provide the prospective client with a copy of this Brochure and a separate disclosure statement at the time of solicitation that includes the following information: the Promoter's name and relationship with D.A. Davidson; the fact that the Promoter is being paid a referral fee; the amount of the referral fee; the conflict of interest created by the referral fee; and whether the Total Annual Fee paid to D.A. Davidson by the client will be increased above the firm's previously agreed fees in order to compensate the Promoter. In practice, the Total Annual Fee paid to D.A. Davidson by clients referred by Promoters are not increased as a result of any referral.

Davidson Trust also refers clients to D.A. Davidson. However, Davidson Trust is not compensated for such client referrals. Further information regarding the conflicts of interest associated with referrals and other business terms among D.A. Davidson and its Affiliates, and how D.A. Davidson addresses those conflicts, is included in the Other Financial Industry Activities and Affiliations section above.

## OTHER COMPENSATION

**Cash Management Program.** Please review the Cash Management Program Disclosure Statement available on the D.A. Davidson website at [dadavidson.com/Disclosures](https://dadavidson.com/Disclosures) for more information about how the Cash Management Program works, including limitations, restrictions, how changes are implemented and additional discussion of conflicts of interest. For current interest rates applicable to the cash management program see [dadavidson.com/What-We-Do/Wealth-Management/Products-Services/Saving-Spending-Solutions/Cash-Management-Program](https://dadavidson.com/What-We-Do/Wealth-Management/Products-Services/Saving-Spending-Solutions/Cash-Management-Program). To obtain a copy of the disclosure document clients should contact their Financial Advisor.

When D.A. Davidson acts as custodian for assets in an account participating in any of the Programs, the Firm utilizes the Cash Management Program, commonly referred to as a "sweep" program, to automatically deposit uninvested cash balances into an interest-bearing account maintained at one or more participating third-party banks (or in limited circumstances to an unaffiliated money market mutual fund) at the end of each business day. Uninvested cash may occur due to, among other things, the sale of securities, dividend payments, interest credited from bonds, and short-term allocations to cash in the account portfolio. Clients affirmatively consent to participation in D.A. Davidson's Cash Management Program by expressly electing it in the account application and signing the account agreement but can



revoke this consent at any time by contacting their Financial Advisor. D.A. Davidson's cash sweep investment option for advisory accounts (other than ERISA and 403(b) accounts) is the Bank Insured Deposit Program ("BIDP").

D.A. Davidson (and its affiliates) receive important and significant compensation and benefits from client use of the BIDP. If we did not receive such compensation, which is in addition to the Total Annual Fee, the Total Annual Fee would generally be higher. Because the Total Annual Fee is generally charged on cash balances (, and cash balances generate compensation to D.A. Davidson through the cash management program, D.A. Davidson (and its affiliates) earn two levels of compensation on such cash balances in client advisory accounts. To mitigate this conflict of interest, for portfolios where D.A. Davidson or its Financial Advisors act as an investment manager (i.e., the MFP, Paragon, Paragon CWAM, Choice, and D.A. Davidson Wealth Management Research portfolios under SAM Manager), as of January 1, 2024, no more than 5% of the account is permitted to be held in cash for more than 90 consecutive days.

Cash deposits in the BIDP are held in deposit accounts by one or more banks not related to D.A. Davidson (collectively "Program Banks") and are generally eligible for Federal Deposit Insurance Corporation ("FDIC") coverage, in accordance with the terms and conditions of the BIDP and FDIC regulations. A list of Program Banks can be found at [https://dadavidson.com/Portals/0/bus-wm/bank%20list/Priority\\_Bank\\_List.pdf](https://dadavidson.com/Portals/0/bus-wm/bank%20list/Priority_Bank_List.pdf). Program Banks are selected through a vetting process conducted by D.A. Davidson. Cash deposits in any one bank participating in the BIDP are managed so they do not exceed applicable FDIC insurance limits at any single bank (currently \$250,000 for most insurable capacities or \$500,000 for joint accounts of two or more). Once funds equal to the applicable deposit limit have been deposited in each Program Bank, any additional funds above such deposit limits will be deposited into a money market fund. **Client, however, is responsible for monitoring the total amount of deposits (including CDs) client may hold with a bank outside of the BIDP to ensure applicable FDIC insurance limits are not exceeded.** In the event that funds are swept to a money market fund, those funds will not be covered by FDIC insurance, but are covered by Securities Investor Protection Corporation ("SIPC").

D.A. Davidson performs management, accounting, recordkeeping, and other services associated with offering BIDP to clients in a Program. Client accounts in a Program that are not IRAs, ERISA plans or 403(b) accounts participate in the Traditional BIDP. Under the Traditional BIDP, D.A. Davidson is compensated for providing those services based on a percentage of the average daily deposit balance in the client's BIDP account(s) at the Program Banks. Moreover, D.A. Davidson has discretion in determining how much of the interest rate paid by the Program Banks is paid to the client, and how much is retained by D.A. Davidson as its compensation. Because D.A. Davidson has discretion over the amount of the interest paid by the Program Banks it retains and the amount paid to the client, D.A. Davidson has a conflict of interest. Under the Traditional BIDP, D.A. Davidson keeps most of the interest revenue it receives from the Program Banks as its fees. As a result, D.A. Davidson has a significant incentive and a conflict of interest in offering the Traditional BIDP. The amount of interest from Program Banks that is credited to client accounts depends on the account's Interest Rate Tier, which in turn depends on the client's Household Balance. In the Traditional BIDP, the compensation to the Firm significantly exceeds the amount of interest that we credit to client accounts, particularly at the lower Interest Rate Tiers. Upon a client's request, the D.A. Davidson Financial Advisor will provide client with specific detail about client's account's Interest Rate Tier, the amount of interest revenue from the Program Banks that we keep (or that is paid to our third-party service provider for the BIDP), and the amount of interest revenue that is credited to client's account. Clients should ask their D.A. Davidson Financial Advisor for this information if they wish to receive it.

At any given time, Program Banks will generally be paying D.A. Davidson different interest rates notwithstanding that client accounts will receive the same interest rate, subject to applicable interest rate tiers, regardless to which Program Bank(s) their funds are actually swept, creating an incentive for us to direct BIDP deposits to banks (through how the BIDP bank priority list(s) are designed or changed from time to time) that result in us receiving greater compensation or complying with contractual requirements. We receive more compensation with respect to amounts in the Traditional BIDP than when clients sweep their funds into a money market fund. The fees we receive in connection with BIDP create a conflict of interest and incentive for us to offer or designate the BIDP as the cash sweep option for client accounts. **The more client deposits held in BIDP deposits and the longer such deposits are held, the greater the compensation we receive.** BIDP is currently the only sweep option available for D.A. Davidson U.S. clients (other than for IRAs, ERISA plans and 403(b) accounts).

Changes in the Federal Funds Rate (or other applicable factors) will not immediately affect interest rates paid to D.A. Davidson or interest rates paid to clients under Traditional BIDP. Accordingly, the interest rate clients receive on BIDP deposits will be lower than the interest rates paid by the banks under BIDP and will likely be lower than the rate of return on (i) other investment vehicles that are not FDIC insured, such as money market mutual funds and (ii) on bank deposits offered outside of the BIDP. D.A. Davidson may, in its sole discretion, as applicable, change its applicable BIDP compensation and any such reductions or increases may vary between clients.

**Advisory BIDP.** Client accounts in a Program that are IRAs participate in the Advisory BIDP. Under the Advisory BIDP, D.A. Davidson receives a level monthly fee for each IRA participating in a Program that utilizes the BIDP (the "IRA Advisory Sweep Fee"). The monthly IRA Advisory Sweep Fee is determined based on the Federal Funds target interest rate expressed in basis points, subject to a maximum of \$15.00 per account. D.A. Davidson's fees in connection with

the BIDP will be paid from the total amounts paid by the Program Banks. For Program IRA accounts participating in the BIDP, the Firm's fees, and those paid to its third-party vendor, reduce the interest rates that are credited to client accounts. As a result, D.A. Davidson has a significant incentive and a conflict of interest in offering the Advisory BIDP.

**ERISA and 403(b) Accounts.** Advisory ERISA and 403(b) accounts do not participate in the BIDP. For ERISA, 403(b) advisory accounts and other accounts designated by D.A. Davidson from time-to-time, client will be placed in a money market fund available for the Cash Management Program offered by D.A. Davidson (the "Money Market Fund"). As with BIDP, un-invested cash balances in ERISA and 403b plan advisory accounts are automatically swept into the Money Market Fund.

**Conflicts of Interest for the Cash Management Program.** Clients should understand that we charge an asset-based Total Annual Fee on the entire account balance within a Program (including any swept cash), and on the cash in the BIDP, the portion of interest revenue we keep from the Program Banks is an additional fee we receive on top of the Total Annual Fee (subject to the limits for certain programs discussed above). This means that we and/or our affiliates earn two levels of fees on the same cash balances in clients' account. All or a portion of a client's account may be in cash. With respect to investment advisory accounts, in certain interest rate environments the interest client earns in the BIDP can be less than the advisory fee client pays on those assets. Also, under certain market conditions, cash allocations result in lower overall portfolio performance – for example, when other assets outperform cash. D.A. Davidson receives more fees from the Traditional BIDP and Advisory BIDP than from other cash sweep programs, such as the money market mutual funds we offer for cash management purposes.

For these reasons, D.A. Davidson has an incentive to utilize BIDP as the sweep option, and to encourage clients to use the BIDP, as it increases total revenue to our Firm, and usually increases our Firm's revenue significantly more than other sweep programs. Likewise, D.A. Davidson has an incentive to maintain more cash in Program accounts, since doing so causes us to receive additional fees on top of the Total Annual Fee. However, Financial Advisors do not receive any portion of this compensation related to our cash sweep program and the cash sweep program option must be selected by the client on a fully disclosed basis. In addition, for portfolios where D.A. Davidson or its Financial Advisors act as an investment manager (i.e., the MFP, Paragon, Paragon CWAM, Choice, and D.A. Davidson Wealth Management Research portfolios under SAM Manager), as of January 1, 2024, no more than 5% of the account is permitted to be held in cash for more than 90 consecutive days. D.A. Davidson also has controls in place to monitor cash positions in Program accounts for suitability with the investment policy, objective or strategy implemented.

Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Program Banks have the financial incentive to pay as low of funding rates, as the market will permit. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the fund's investment objective, which can be found in the fund's prospectus.

Given the conflicts discussed above, each client should consider the importance of BIDP to us when evaluating our total fees and compensation and deciding whether to enroll in the BIDP.

**The applicable terms and conditions of the BIDP are included in the "Cash Management Program" section of the Advisory Agreement. Other important information concerning the Cash Management Program, BIDP and the Money Market Fund are also available in the Cash Management Program Disclosure Statement available on the D.A. Davidson website at [dadavidson.com/Disclosures](https://dadavidson.com/Disclosures) or upon request.** Prospective changes in regulations applicable to money market funds may impact how some money market funds are managed and disclose information, as well as the costs and expenses of those funds. Further information regarding each money market fund is available in the relevant fund's prospectus.

Other short-term, cash-equivalent investments are available to clients for purchase through D.A. Davidson. These other investments, however, which can provide for higher rates of return, are not part of the Cash Management Program, and will not offer an automatic cash sweep feature. Any cash awaiting investment or reinvestment not participating in the Cash Management Program will not earn interest. For more information, clients should contact their D.A. Davidson Financial Advisor. Clients can terminate their participation in the Cash Management Program at any time by contacting their D.A. Davidson Financial Advisor.

**Revenue Sharing Arrangements.** Some issuers and sponsors of investments we recommend share with D.A. Davidson 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. D.A. Davidson does not share these payments with our Financial Advisors, 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 D.A. Davidson with revenue sharing payments is furnished in the Exhibit of D.A. Davidson's Regulation Best Interest Disclosures document and is available upon request.**

**Recordkeeping/Shareholder Servicing Fees.** For some investment products, such as mutual funds and advisory variable annuities, D.A. Davidson receives ongoing fees for recordkeeping and other shareholder or administrative services. For example, D.A. Davidson receive fees in connection with mutual fund investments for sub-accounting and sub-transfer agent services in respect of our clients (but does not retain those fees for qualified advisory accounts). The Firm receives 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 D.A. Davidson to make available on our platform, and encourage the purchase of, investments who pay the Firm for such services, and pay the Firm more than others pay.

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

**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 Financial Advisors. This could include paying for travel, meals, entertainment and attendance at educational conferences, training events and due diligence trips for our Financial Advisors. These events provide our Financial Advisors 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, 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.

These payments provide an incentive for D.A. Davidson and our Financial Advisors to recommend investment products whose sponsors provide these additional support payments to us, and those who make higher support payments, than others. D.A. Davidson imposes an internal review and approval process to ensure that these payments are not unreasonably high (or otherwise inappropriate) under the circumstances. Additionally, and we do not permit payments for educational and marketing events to be made directly to our Financial Advisors. **A list of the investment product sponsors who provide our Firm with payments and reimbursements in support of our education and marketing efforts is furnished in the Exhibit to the Regulation Best Interest Disclosures and is available upon request.**

**Gifts from Sponsors.** D.A. Davidson Financial Advisors sometimes receive additional non-cash compensation from investment product sponsors. 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 for branch marketing expenses, including client events. These payments provide an incentive for our Financial Advisors to recommend investment products whose sponsors provide these forms of compensation. To mitigate these incentives, our Firm imposes an internal review and approval process for non-cash compensation provided to our Financial Advisors.

**Production/Compensation Grid.** The single most important factor affecting client's D.A. Davidson Financial Advisor's cash compensation is the total amount of revenues he or she generates for the Firm, which is sometimes referred to as his or her "production." Specifically, the primary cash compensation we pay to each of our Financial Advisors (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 the Firm's Financial Advisors, 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 industry tenure with our Firm, as set forth in our compensation grid. D.A. Davidson's compensation grid has thresholds or bands that enable the Financial Advisor to increase his or her compensation through an incremental increase in sales.

A Financial Advisor has an incentive to maximize their ongoing production, because the higher it is over the previous six (6) month period, potentially the greater share he or she will receive for that current month. Stated simply, increasing his or her production potentially entitles the Financial Advisor to receive a larger share of a larger dollar figure. Therefore, the Financial Advisor has a strong financial incentive to recommend advisory Programs generally and Programs that pay us higher revenues that increase his or her production-eligible revenue over the long term.

D.A. Davidson has adopted and enforces policies and procedures intended to help ensure the Firm and its Financial Advisors comply with our fiduciary duties. In addition, under our compensation grid, the percentage of production that the Financial Advisor 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 Advisors can achieve for discrete sales, or for sales over a short period.

Also, certain revenues we receive as a Firm do not count toward the Financial Advisor's production, such as margin interest and other fees described in Item 4 above under Other Fees and Expenses, 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.

**Other Bonuses and Awards.** Financial Advisors can earn deferred performance awards of up to 5.5% of their annual production, which are payable in cash or stock of D.A. Davidson's parent company and are subject to five-year cliff vesting. Financial Advisors with over seven (7) years' tenure with the Firm can also earn additional loyalty bonuses of up to 4.5% of their annual production. These awards and bonuses are based largely on each Financial Advisor'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). Typically, each Financial Advisor is eligible to receive bonuses and awards with respect to any single year that total up to 10% of his or her production.

Upon qualified retirement, Financial Advisors can receive compensation through the sharing of gross production generated from their transitioned book of business, generally over the course of four years after the end of their employment. In addition, Financial Advisors can receive an additional gross production premium of 5.0% to 12.5%, depending on firm tenure, reoccurring revenue mix, and productivity.

Based on their production and other factors, Financial Advisors can also earn awards in the form of non-cash compensation (i.e., rewards trips), larger expense allowances (up to 1.5% of production) and additional "concierge" support services.

The conflicts created by these additional incentives are particularly acute toward the end of the applicable performance measurement period (which is typically September 30, the end of D.A. Davidson's fiscal year). To mitigate the conflict related to measuring additional incentives at our fiscal year end, the Firm conducts specific surveillance of Financial Advisor's activity levels during this period. Additionally, to earn certain bonuses and awards, a Financial Advisor must be in good standing with the Firm's policies and procedures.

**Team Formation.** The Firm supports a team formation process with minimum production requirements that permit a Financial Advisor to earn compensation based on both their own production and that of their teammates. This creates the same conflicts of interest identified under Production/Compensation Grids and Other Bonuses and Awards.

**New Recruit Incentives.** When some of our Financial Advisors are new recruits to our Firm, we grant them expense allowances, forgivable loans – in other words, loans that can be repaid through bonus payments that these Financial Advisors 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 Advisor 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 may have qualified. We also offer some new Financial Advisors 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 Financial Advisors to recommend that clients move additional assets to our Firm and, for (i) and (ii) above, to recommend advisory Programs generally and Programs that pay us higher revenues that increase his or her production-eligible revenue. These additional forms of compensation are typically earned over the course of a few years where they are tied to performance measures of twelve (12) consecutive month periods, to help reduce the incentive our new recruits might have to achieve large sales volume over shorter periods. Additionally, clients that have an existing relationship with a Financial Advisor who joins our Firm will be furnished with an educational document prepared by FINRA that discusses conflicts of interest resulting from moving their account to our Firm. 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 Incentives.** D.A. Davidson's managers, directors and supervisors oversee the sales and marketing activities of our Firm. The compensation of our Branch Office Managers ("BOMs") is tied in part to the production levels of branches over which they have managerial or supervisory responsibility. The tying of BOMs' compensation to the production of the branches they supervise incentivizes them to spend more time on increasing production levels than on their supervisory responsibilities. Only BOMs are compensated in this fashion. Our Firm has other management and supervisory personnel who participate in the supervision and oversight of our branches, regions, and Firm generally, and who are not compensated based on production levels. However, the BOMs have ultimate supervisory and oversight responsibility for their branches.

**Mutual Fund 12b-1 Fees.** As noted above in the Additional Fee Information section of this Brochure, certain mutual fund share classes pay D.A. Davidson a 12b-1 Fee, which is an annual marketing and distribution fee. The payment of this fee creates a conflict of interest for the Firm because it could cause Financial Advisors to recommend that accounts participating in a Program purchase and hold share classes of mutual funds that pay the 12b-1 Fees rather than share classes of mutual funds that do not pay 12b-1 Fees. Client should be aware that 12b-1 Fees also negatively

impact the investment performance of the relevant mutual fund share class, due to the effects of these compounded expenses to the fund over time. However, D.A. Davidson addresses the consequences of this conflict of interest through disclosure of it in this Brochure, and also requires that any new purchases of mutual funds in Program accounts be in a share class that does not pay a 12b-1 Fee whenever such a share class is available to the client. D.A. Davidson will also pass on and rebate to the client participating in a Program any 12b-1 Fee received by the Firm in connection with mutual fund shares held in that client's account. Additionally, D.A. Davidson uses commercially reasonable efforts to convert any existing Program account mutual fund holdings in a 12b-1 Fee-paying share class to shares of a class that does not pay a 12b-1 Fee, when consistent with the client's investment objectives, asset allocation, and other circumstances.

## **FINANCIAL INFORMATION**

D.A. Davidson is required to disclose any financial condition that is reasonably likely to impair the Firm's ability to meet its contractual obligations. D.A. Davidson has no such financial circumstance to report.

Under no circumstances does D.A. Davidson require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.



## SUMMARY OF MATERIAL CHANGES TO THE D.A. DAVIDSON ADV PART 2A-1 WRAP FEE PROGRAM DISCLOSURE BROCHURE

D.A. Davidson & Co.'s ("D.A. Davidson" or "we") last annual update of this ADV Part 2A-1 Wrap Fee Program Brochure (the "Brochure") occurred on December 20, 2023. The following information discusses the material changes made to the Brochure since the prior annual update. Capitalized terms used but not otherwise defined have the meanings specified in the Brochure. You can obtain a full copy of the Brochure on our website at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) or by contacting your financial advisor.

### **We updated Item 4: Services, Fees and Compensation by providing the following:**

**Portfolio Management Services.** In the Discretionary Programs client appoints and authorizes D.A. Davidson, its Financial Advisors, Envestnet (define below) or a third-party investment manager or sub-manager to make investment decisions with respect to the assets in the client's Program account (including trading authority to buy, sell, or hold securities and the timing of these actions without notice to the client).

**Wrap Fee Programs – Unified Managed Account ("UMA").** The UMA Program is now available in an additional version, UMA Guided.

UMA Guided offers clients a portfolio constructed and managed by Envestnet's Private Wealth Consulting Service ("PWC Service"), using the research, portfolio construction and investment decisions of Portfolio Management Consultants ("PMC"). The updated section describes UMA Guided general portfolio construction, composition, management, and associated conflicts of interest. Clients should review the Envestnet 2A ADV Disclosure Brochure for specific information regarding the operations of the program, specific portfolio construction and composition, monitoring, rebalancing, and reasonable investment restrictions.

**Fees – Program Fees.** For UMA Guided, the Davidson Advisory Fee is negotiable up to 1.85%, and the Management Fee is between 0.28% and 0.90% (including a 0.05% platform fee to D.A. Davidson).

**Fees – Management Fees.** Envestnet does not collect the portion (up to .15% depending on the investment amount) of the Management Fee for the assets of your UMA Guided account invested in Envestnet's proprietary strategies, mutual funds and ETFs.

**Fees – Additional Fee Information – Termination.** D.A. Davidson may terminate client's participation in a Program immediately upon written notice to clients for any reason in D.A. Davidson's sole discretion including, but not limited to, (i) should client's balance fall below the Program's initial minimum account size requirements and any minimum maintenance requirements determined in D.A. Davidson's sole discretion, (ii) if client fails to update or provide certain information or documentation requested by D.A. Davidson, (iii) in the case of an UTMA/UGMA account where the beneficiary has reached the age of majority in their state of residency, or (iv) in the event D.A. Davidson believes for any reason client is currently violating or may violate any applicable law or regulation or the terms of the Advisory Agreement or D.A. Davidson is otherwise requested by a regulator or self-regulatory authority to close or suspend the account.

**Fees – Additional Fee Information – Additional General Fee Information.** In UMA Guided, the Management Fee can change without clients' consent or prior notification.

### **We updated Item 5: Account Requirements and Types of Clients by providing the following:**

**Minimum Account Size Requirements.** Participation in each of the Programs is subject to certain initial minimum account size requirements and any minimum maintenance requirements determined in D.A. Davidson's sole discretion.

The minimum initial investment for participation in UMA Guided is \$1,000,000.

The minimum initial investment for participation in Paragon is \$5,000 (instead of \$10,000).

### **We updated Item 6: Portfolio Manager Selection and Evaluation by providing the following:**

**Unified Managed Account (UMA).** Methods of Analysis for UMA Guided are described in the Envestnet 2A ADV Disclosure Brochure.

**Russell Investments Model Strategies (RMS).** Russell Investments retains discretion over the timing and parameters for implementation, execution, monitoring, and rebalancing of client's Program account.

**Investment Manager Performance.** D.A. Davidson evaluates the performance as a component of due diligence related to the RMS, SAM, and the UMA Select and UMA Discretion programs. For UMA Guided, performance is evaluated by PMC as described in the Envestnet 2A ADV Disclosure Brochure.

**Use of Affiliated Funds and Investment Management by Affiliates and Related Person.** DIA acts as an investment manager in the SAM Manager, UMA Select and UMA Discretion Programs, (not in UMA Guided). D.A. Davidson and DIA have a financial conflict of interest when DIA is selected as an investment manager in the SAM Manager, UMA Select and UMA Discretion Programs because, under these circumstances, both the Davidson Advisory Fee and Management Fee are retained by the D.A. Davidson family of companies.

**Voting Client Securities.** D.A. Davidson does not vote securities on behalf of clients for any assets not custodied at D.A. Davidson. Clients retain the responsibility to vote proxies relating to securities in their accounts.

D.A. Davidson directs Envestnet or a third-party investment manager or sub-manager to vote securities on behalf of clients in the SAM, RMS, and UMA Programs. However, for certain third-party investment managers or sub-managers clients are still responsible to vote their own proxies.

**We updated Item 9: Additional Information by providing the following:**

***Other Bonuses and Awards.*** Financial Advisors can earn deferred performance awards of up to 5.5% (previously 5%) of their annual production, which are payable in cash or stock of D.A. Davidson's parent company and are subject to five-year cliff vesting. Financial Advisors with over seven (7) years' tenure with the Firm can also earn additional loyalty bonuses of up to 4.5% (previously 4%) of their annual production. These awards and bonuses are based largely on each Financial Advisor'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). Typically, each Financial Advisor is eligible to receive bonuses and awards with respect to any single year that total up to 10% (previously 9%) of his or her production.