



Part 2A of Form ADV:

Firm Brochure

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December 21, 2017

This firm brochure provides information about the qualifications and business practices of SeaCap Investment Advisors, a division of Davidson Investment Advisors, Inc. A separate Brochure is available that provides information about the qualifications and business practices and the other products and services offered by Davidson Investment Advisors, Inc. If you have any questions about the contents of this Brochure or would like a copy of Davidson Investment Advisors Inc.'s Brochure, please contact us at 206-654-0480 or SeaCapMarketing@dadco.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser with the Securities and Exchange Commission does not imply any specific level of skill or training.

Additional information about Davidson Investment Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 110552.

Item 2 - Material Changes

The Securities and Exchange Commission ("SEC") adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure ("Brochure") is our disclosure document prepared according to the SEC's requirements and rules. This Brochure dated December 21, 2017 contains the following material changes from the last annual update, the December 22, 2016 Brochure:

- Effective December 14, 2017, Chris Johns was named co-manager of SeaCap's Intermediate Municipal Fixed Income strategy, replacing Rob Moore. Mr. Johns has been a portfolio manager of municipal bond strategies for both SeaCap and our affiliate Davidson Fixed Income Management, Inc. and has 37 years of experience in municipal fixed income management. Mr. Johns will be co-managing the strategy with Stephen Frahm, who has worked for SeaCap for over 20 years.

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Item 4 - Advisory Business

This Brochure describes the investment advisory services offered by SeaCap Investment Advisors, a division of Davidson Investment Advisors, Inc. (referred to as "SeaCap"). The purpose of this Brochure is to describe and disclose the services, fees, potential conflicts of interest, and other necessary information clients should consider prior to becoming a client. The information contained in this Brochure is current as of the date of this Brochure and is subject to change at SeaCap's discretion. Please retain this Brochure for your records. In addition, Davidson Investment Advisors, Inc. ("DIA") has a separate Brochure that describes the investment advisory services offered by DIA and is available upon request.

About SeaCap

SeaCap was acquired by D.A. Davidson Companies effective April 1, 2012 and operates as a division of DIA. DIA is a SEC-registered investment adviser that has been conducting business since 1975. Its headquarters are in Great Falls, Montana with additional offices in Seattle, Washington. DIA is a wholly-owned subsidiary of D.A. Davidson Companies, a financial services holding company.

Types of Advisory Services

SeaCap offers actively managed portfolios of taxable and tax-exempt bonds to individuals, including their trusts and estates, and institutions such as charitable organizations or corporate pension plans.

SeaCap is compensated solely with fees paid directly by clients as a percentage of their assets under management by SeaCap. All investment transactions are completed for the benefit of each client's portfolio. No benefits are received from custodians or broker-dealers based on client transactions.

SeaCap utilizes third party custodians to hold client assets. Third party custodians include brokerage firms and banks, and assets are held in the client's name. Please see Item 15 for further information about Custody Practices.

SeaCap offers bond portfolio management services. We actively manage portfolios of both taxable and tax-exempt bonds. SeaCap is hired by clients to develop, design, implement and administer an investment program based upon the client's goals such as income, capital preservation or total return. Once a client's return objectives and tolerance for risk are determined, SeaCap will implement an appropriate strategy.

SeaCap's primary offering is intermediate term investment portfolios comprised of securities with maturities ranging from one to twelve years for taxable bonds and one to fifteen years for municipal bonds. The average maturity for taxable bond portfolios typically ranges from 2.5 to 6 years. The average maturity for municipal bond portfolios typically ranges from 3.5 to 6.5 years.

Additionally, SeaCap offers customized fixed income portfolio management with varying average maturities and other portfolio characteristics, to meet specific client needs.

SeaCap focuses on high quality bonds. Tax-exempt municipal bond issuers must have a minimum credit rating of “A” from a major credit rating agency at the time of purchase. Taxable bonds, such as bonds issued by corporations, must be of investment grade quality (“BBB-” or higher).

Tailored Portfolios

As mentioned above, SeaCap may tailor a portfolio with regards to maturity limits or credit quality if the standard limits described above need to be modified to fit the client’s circumstances and investment objectives. We formally document the following in a Statement of Investment Guidelines:

- 1) Investment objectives and goals.
- 2) Appropriate benchmark index for performance comparison.
- 3) Client specified restrictions.
- 4) Portfolio parameters regarding security and portfolio maturity, credit quality and diversification.

If a client portfolio is referred to SeaCap through a broker-dealer “wrap program,” the client’s financial advisor must review and approve the Investment Guideline for the account. If a client has a direct contract with SeaCap, the client must review and approve the Investment Guideline for the account. Any material changes to these guidelines must be communicated to SeaCap in writing.

There are no material differences in how portfolios are managed for wrap programs

versus other accounts. However, some wrap programs may not use the Statement of Investment Guidelines described above. In this situation, the wrap program must provide similar instructions on behalf of the client in writing to SeaCap.

SeaCap participates in wrap fee programs sponsored and administered by D.A. Davidson & Co., an affiliated broker-dealer, as well as unaffiliated parties. As compensation for its services, SeaCap receives management fees based upon the total market value of all assets according to the fee schedules of each separate wrap fee program. Clients pay one fee for these comprehensive services. SeaCap receives a portion of the program fee. If a client is participating in such a program, the client should request a copy of the sponsor’s brochure for a full description of the services provided and fees charged by the sponsors.

Municipal bond portfolios may be customized based on the client’s state of residence with a portfolio structured to include national or state-specific issues. SeaCap may also customize a portfolio to be a blend of national and state specific municipal bonds or a blend of taxable and tax-free municipal bonds.

As of September 30, 2017, SeaCap Investment Advisors managed \$405,319,618 in assets on a discretionary basis. Davidson Investment Advisors, including SeaCap, manages \$1,848,354,787 on a discretionary basis. DIA and SeaCap do not manage any assets on a non-discretionary basis.

Item 5 - Fees and Compensation

SeaCap charges a fee for investment management services based on a percentage of the total market value of assets under management. On occasion, SeaCap may charge a flat fee for investment management services. Fee schedules are established at the time an account is opened. Fees are negotiable. Neither SeaCap nor our employees receive commissions based on the purchase or sale of securities on behalf of clients. We do not receive commissions in any form.

The following is a typical fee schedule charged for our services. Special considerations may be given to clients with unusual circumstances. A minimum fee may be charged in some circumstances. Fees for customized fixed income portfolios are negotiable.

0.30% of assets under management on the first \$5 million of assets.

0.20% of assets under management on the next \$15 million of assets.

0.15% of assets under management on assets over \$20 million.

Fees are generally charged quarterly, in advance, based on the gross market value of the assets in the account (including cash and cash-equivalents) on the last business day of the prior calendar quarter. Some clients may have fees assessed in arrears and/or monthly. Our method of billing will be dependent on where a client's portfolio is held—a brokerage firm or bank. Many brokerage wrap programs and banks

require all fees, including SeaCap's, be deducted quarterly from their brokerage account. All other clients may choose to have fees deducted or to be invoiced quarterly.

The fee schedules summarized above are for SeaCap's investment management services only. A client may pay other investment management, trading or transaction and administration fees to their financial advisor, custodian or brokerage firm. Clients are encouraged to review all account documents and discuss any expenses with their financial advisor, bank or broker dealer.

ERISA Accounts

SeaCap is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, SeaCap is subject to specific duties and obligations under ERISA and the Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, SeaCap may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset SeaCap's advisory fees.

Account Terminations

If a client account is billed for fees in advance and terminates at any time during the calendar quarter, we will provide a refund to the client according to the fee schedule and pro-rated to the date of termination. If a client account is billed in arrears and it terminates at any time during the calendar quarter, we will provide the client or their broker-dealer a final bill for the services provided according to the fee schedule and pro-rated based on the date of termination.

Item 6 - Performance Based Fees and Side-By-Side Management

SeaCap does not use a performance-based fee structure for any client portfolios. SeaCap only manages accounts with fees based on a percentage of assets under management.

Item 7 - Types of Clients

SeaCap offers actively managed portfolios of taxable and tax-exempt bonds to individuals, their related entities, such as trusts and estates, and institutions such as charitable organizations or corporate pension plans. We generally require a minimum account size of \$500,000 to open an account; however, exceptions may be allowed.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

SeaCap's Investment Philosophy

SeaCap seeks to add value by focusing on, what we believe, are the important and predictable sources of return for bond

investors. We seek to preserve value by managing important and unpredictable market risks.

An important and predictable source of investment return is the income received from a bond. A bond's interest rate, also known as the coupon, represents the amount of annual income a bond holder will receive. Yield-to-maturity, another common term in fixed income investing, is a figure calculated to determine the actual annual return you will receive if a bond is held to maturity. Yield-to-maturity is based on the purchase price of the bond and the coupon. A portfolio's total return is a combination of the yield an investor will receive and the change in market price of the portfolio.

The primary risks we seek to manage include interest rate risk, credit risk and liquidity risk.

- Interest rate risk is the chance a bond or bond portfolio's market price will decline because of rising interest rates. This risk is generally moderate in portfolios managed by SeaCap because we invest mainly in short and intermediate maturity bonds. The prices on these bonds are less sensitive to interest rate changes than the prices of long-term bonds.
- Credit risk is the chance a bond issuer will fail to pay interest and principal on schedule. It may also include negative perceptions of an issuer's ability to make their payments. This could cause the price of the bonds to decline. A related risk is default risk, which occurs when an issuer is unable to pay their

bond obligation. Credit risk, in general, should be low in portfolios managed by SeaCap because we invest only in bonds that are investment grade quality. Credit risk is generally higher for bonds with lower quality ratings.

- Liquidity risk is the chance that bonds in the portfolio can't be sold in a timely manner at the desired price. Liquidity risk is generally moderate for the high quality and short to intermediate maturity bonds managed by SeaCap, except in periods of severe market disruption.

Investment Process and Methods of Analysis

The SeaCap investment process begins with an initial assessment of the client's stated objectives and constraints relative to the strategy selected. Our portfolio managers then review information provided by the client or their financial advisor including the client's risk profile, investment time horizon, income target, liquidity requirements and tax circumstances.

SeaCap conducts ongoing market analysis spanning a wide range of economic and fundamental market influences. Portfolio construction then integrates this macro market and sector valuation analysis with the client's objectives to generate a template for portfolio maturity structure and sector allocations. SeaCap has broad dealer coverage and access to both primary and secondary market opportunities, and seeks institutional pricing for client transactions. Institutional pricing is generally more favorable than retail pricing.

All portfolio management activities and trading are performed with supervisory oversight. SeaCap uses proprietary portfolio systems to monitor client portfolios. Ongoing portfolio monitoring allows SeaCap to evaluate deviations from optimal portfolio characteristics in a timely and thorough fashion.

INVESTMENT STRATEGIES

Intermediate Municipal Fixed Income Strategy Summary

The Intermediate Municipal Fixed Income strategy is actively managed and focuses on high quality issues in the intermediate portion of the yield curve, with maturities generally ranging from 1-15 years. We emphasize predictable income flow along with principal stability in times of credit stress, changing interest rates, and volatile markets. We seek to maximize tax efficiency by managing turnover and gain/loss realization, accommodating clients' alternative minimum tax and state tax considerations. We utilize incremental return tactics, including portfolio maturity restructuring to capture yield curve opportunities, sector/issue rotation to capture favorable relative returns, and awareness of municipal supply/demand imbalances, which can create temporary trading opportunities.

Intermediate Taxable Fixed Income Strategy Summary

The Intermediate Taxable Fixed Income strategy is actively managed and focuses on the intermediate portion of the yield curve. We invest in investment grade or higher issues with maturities generally

ranging from one to ten years. Stability of principal value is a primary focus of the strategy; we perform rigorous fundamental credit analysis and monitor issuers and credit trends daily. We believe that fixed income assets are best managed actively with respect to duration and credit exposures, as we monitor, anticipate and respond to changes in the broad economy and the interest rate environment.

Risk of Loss

All investments have certain risks that are borne by the investor. Our investment philosophy and strategies focus on managing these risks. As described above, primary risks typically faced by fixed income investors include: interest rate risk, credit or default risk, and liquidity risk. Any of these risks could lead to a loss of principal.

Item 9 - Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

D.A. Davidson & Co., our affiliated broker-dealer, was the qualified custodian for many Davidson Investment Advisor clients at the time of the following events. In April 2010, D.A. Davidson, without admitting or denying the allegations, consented to the findings of the Financial Industry Regulatory Authority, Inc. ("FINRA") that it violated: (1) Rule 30 of Regulation S-P in failing to adopt and implement policies and procedures reasonably designed to safeguard customer records and information; and (2) NASD Rules 3010(A) and (B) by failing to establish and maintain a system, reasonably designed to achieve compliance with Rule 30 of

Regulation S-P. The events arose from the criminal hacking of one of D.A. Davidson & Co.'s databases, which occurred at the end of 2007. D.A. Davidson & Co. was censured and fined \$375,000.

Item 10 - Other Financial Industry Activities and Affiliations

SeaCap operates as a division of Davidson Investment Advisors, Inc., a wholly-owned subsidiary of D.A. Davidson Companies, a financial services holding company with other subsidiaries: D.A. Davidson & Co., D.A. Davidson Trust Company, and Davidson Fixed Income Management, Inc. D.A. Davidson & Co. is a broker-dealer registered as such with FINRA (Financial Industry Regulatory Authority) and a SEC Registered Investment Adviser. D.A. Davidson Trust Company is a federal savings bank. Davidson Fixed Income Management is a SEC registered investment adviser. D.A. Davidson Trust Company employs Davidson Investment Advisors to manage money for some of its clients who have granted investment discretion to the Trust. Davidson Investment Advisors and its SeaCap division collectively manage four D.A. Davidson Trust Company common trust funds.

Davidson Investment Advisors employs two portfolio managers from Davidson Fixed Income Management, Inc.; they are located in Denver, Colorado and Portland, Oregon.

Mutual Fund

Davidson Investment Advisors is the investment adviser to the Davidson Funds, a series of the Adviser Series Trust, an investment company registered under the Investment Company Act of 1940. For additional information, the Funds'

Prospectus and Statement of Additional Information are available online at: www.davidsonmutualfunds.com.

Prospective investors should review these documents carefully before making any investment in the Mutual Fund(s).

Mutual Fund Sub-Advisory Services

Davidson Investment Advisors' affiliate Davidson Fixed Income Management, doing business as Kirkpatrick Pettis Capital Management, serves as the sub-advisor to the Tax Free Fund of Colorado and to the Tax Free Trust of Oregon, both of which are municipal bond mutual funds, registered with the SEC. In its role as sub-advisor it provides portfolio management services on a discretionary basis to the funds' investment adviser, Aquila Investment Management, LLC. Both of these mutual funds invest in municipal bonds issued by state, county or local governments located in each respective mutual fund's state.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

SeaCap has adopted a Code of Ethics ("Code") which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

SeaCap's Code establishes rules of conduct for all employees and is designed to govern personal securities trading activities in the accounts of employees, among other things. The Code is based upon the principle that SeaCap and its employees owe a fiduciary duty to its clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid: serving their

own personal interests ahead of clients; taking inappropriate advantage of their position with the firm; and any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to SeaCapMarketing@dadco.com, or by calling us at 206-654-0480.

SeaCap employees are allowed to invest in the same securities recommended to or owned by clients. However in order to avoid conflicts of interest, all SeaCap employees are required to receive prior approval to trade in personal security accounts.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Item 12 – Brokerage Practices

The fixed income markets lack a central exchange and as a result, while some pieces of the market are automated, on the whole it is not. This environment creates the need for traders to develop relationships with brokerage firms. SeaCap works with a variety of brokerage firms. The firms we work with are generally selected based on the amount and size of transactions we seek and that fit with the brokerage firm. SeaCap traders only deal with recognized brokerage firms that offer adequate financial capacity.

SeaCap has full authority over the broker or dealer to be used in all security transactions unless directed by the client. The broker or dealer that provides the best execution is generally used to execute transactions. SeaCap may also consider other factors such as the availability of buyers or sellers of securities when SeaCap is executing transactions, the net economic result to the client, the ability of brokers to execute step-out transactions, the broker's transaction processing capability, and a broker's financial strength.

SeaCap does not receive research or other benefits, often called "soft dollars," in connection with client securities transactions. However, some of the broker-dealers we work with allow access to their market data and research.

Directed Brokerage

If a client directs SeaCap to use a specific broker, it is the client's responsibility to determine fees and transaction costs with the directed broker. A client that has directed SeaCap to use a specific broker may not obtain the same security selection or transaction execution as it would if SeaCap exercised full discretion over broker or dealer selection. Directed broker arrangements may also prevent the client from participating in aggregated transactions and the directed broker may not have securities available that would be purchased from other sources if SeaCap had full discretion over broker or dealer selection.

While recognizing the limitations described above, SeaCap will use its best efforts to

obtain best execution of security transactions with directed brokers.

Trade Aggregation

SeaCap may aggregate security sale and purchase transactions for a client with similar transactions being considered for other clients managed by SeaCap. Trade aggregation is expected to provide equal or better price realization for participating clients. Each client participating in an aggregated transaction will receive the same price before consideration of custodian or platform transaction fees.

Directed Brokerage in Wrap Programs

Client accounts managed by SeaCap which originate through a Wrap Program ordinarily are directed brokerage accounts. Sponsors of these programs typically charge the program participants a fee which covers the costs of executing transactions for the participants' accounts when such transactions are placed by the program sponsor. Trades not placed by the program sponsor are referred to as "step-out" trades and will result in additional trading costs to the client.

SeaCap "steps-out" most, if not all trades, since it believes that "step-out" trades are more likely to provide Wrap Program clients with best execution. Since SeaCap trades away from the program sponsor for most or all trades, Wrap Program clients will incur additional costs. These additional charges may be embedded in the price of the security, or may be assessed separately.

Item 13 - Review of Accounts

SeaCap's investment team members manage and review client portfolios. This portfolio review structure provides continuous investment management rather than prescheduled periodic reviews. The modeling system provides a daily review of client portfolio characteristics including, but not limited to, investment objective, average duration, duration deviation from target, cash allocations, allocation deviation from target, visible cash flow projections and actual cash flows arising from client activities, trading, or security related events such as bond calls. Portfolio managers incorporate this data into their daily review of market conditions, security evaluations, and the development of potential trading and investment strategies for client portfolios.

Additional scrutiny of portfolio holdings and consideration of client circumstances, such as tax and income considerations, is conducted at least monthly by the account's portfolio managers. Finally, portfolio managers jointly conduct a supervisory review of all accounts for strategy and portfolio suitability at least quarterly.

SeaCap generally provides written reports to clients on the performance of their accounts on a quarterly basis. Client performance reports usually include a portfolio valuation and typically show the asset allocation of the client's portfolio, changes in client's portfolio and account performance compared to a benchmark. Please review your periodic account statement directly from the custodian. That statement is the official record of the account and the assets

contained in it and should be reviewed carefully. If the client finds any material discrepancies between the performance report and their custodian's account statement, the client should notify SeaCap immediately.

Item 14 - Client Referrals and Other Compensation

SeaCap does not directly or indirectly compensate any person or related persons for client referrals. Nor does SeaCap receive any other compensation other than advisory fees from clients.

Item 15 - Custody

All assets are held at qualified custodians such as brokerage firms, banks and trust companies.

The custodian will provide an account statement directly to each client at least quarterly. Only those clients who have a direct contract with SeaCap will receive a quarterly statement from us in addition to the custodian's statement. Typically these statements will provide a summary of securities you own and any activity in the account including expenses such as investment management fees. Clients are encouraged to carefully review the statements they receive from their custodian. If they receive a statement from SeaCap, we also urge them to compare the two statements.

If you have authorized us or your financial advisor, bank or broker dealer to deduct periodic investment management fees directly from one or more of your accounts managed by us, these deductions from your

account should be shown on the statements sent by your qualified custodian directly to you. You are encouraged to review these statements carefully and compare the amounts on the custodian statements with any statements we send and the fee schedule outlined in your Investment Advisory Agreement with SeaCap and the agreements you have with your financial advisor, bank or broker dealer.

Item 16 - Investment Discretion

SeaCap accepts discretionary authority to manage fixed income portfolios on behalf of our clients. The firm has the authority to determine the securities to be bought or sold and the amount of securities bought and sold for our clients without obtaining specific client consent.

Clients may impose investment restrictions on the client's account by providing written notice to SeaCap either in the Statement of Investment Guidelines at the start of the relationship or later via written instruction. A notification can be sent by mail, fax or email and is effective upon receipt by SeaCap. Investment restrictions may adversely impact account performance.

SeaCap reserves the right to terminate a client if it believes the client-imposed restrictions will prevent the account from achieving its overall investment objective.

Trading authority is generally provided to SeaCap by the client signing a limited power of attorney document provided by the custodian or by signing SeaCap's Investment Management Agreement. This

authority is limited to executing buys and sells in a client portfolio.

Item 17 - Voting Client Securities

SeaCap does not vote proxies for accounts not covered by ERISA. For clients that are covered by ERISA, SeaCap (a) reviews the plan document and other appropriate documentation to determine if proxy voting is the adviser's responsibility; (b) takes necessary steps to ensure the prompt delivery of proxy materials; and (c) votes and reconciles proxies and maintains accurate records of proxy voting. It is SeaCap's policy to vote proxies in the best interest of the client and the plan. Generally, bondholders do not receive proxy materials as they relate primarily to company stock ownership and accordingly, it is uncommon for SeaCap to vote proxies.

Item 18 - Financial Information

SeaCap is not aware of any financial condition that is likely to impair our ability to meet our contractual obligations.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a balance sheet of DIA's most recent fiscal year.

SeaCap has not been the subject of a bankruptcy petition at any time during the past 10 years.