



Davidson Investment Advisors

Part 2A of Form ADV:

Firm Brochure

Davidson Investment Advisors, Inc.

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This wrap fee program brochure provides information about the qualifications and business practices of Davidson Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 406-727-6111 or adv@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.

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

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure ("Brochure") is our disclosure document prepared according to the SEC's new requirements and rules. Although the format of this document is similar in many respects to prior Schedule F program brochures, it contains additional information that was not previously required.

Consistent with the new rules, after the initial filing of this Firm Brochure, we will provide you with a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business' fiscal year which is September 30. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

Davidson Investment Advisors, Inc. ("Davidson Investment Advisors" or "Davidson" or "Firm") is a SEC-registered investment adviser. The purpose of this Firm Brochure ("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. For a complete description of other services and fee arrangements offered by our firm, clients should refer to our Form ADV Part 2: Wrap Fee Brochure. The information contained herein is current as of the date of this Brochure and is subject to change at Davidson's discretion. Please retain this Brochure for your records.

Davidson Investment Advisors is wholly owned by Davidson Companies, a financial services holding company. Davidson has been conducting business since 1975. Its headquarters are in Great Falls, Montana with offices in Seattle, Washington and Denver, Colorado.

TYPES OF ADVISORY SERVICES

Davidson Investment Advisors offers professional portfolio management to clients and institutions desiring investments in equity and fixed income products. The advisory services offered by Davidson generally include portfolio management, investment advice, consulting services, performance reporting, and related account services.

Davidson manages client portfolios with full investment discretion and considers individual investors' needs when recommending an investment strategy to its clients. There are a few accounts that the firm manages on a non-discretionary basis. After evaluation of a client's specific needs, Davidson offers four investment strategies: Equity Income, Multi-Cap Equity, Small-Mid Cap Equity and Intermediate Fixed Income.

Subject to the agreement with Davidson, a client may impose reasonable restrictions on the securities or types of securities held in the client's account. Please see "Investment Discretion" section below for more information.

All of the investment strategies discussed in this Brochure may not be appropriate for a client. Davidson will only select or recommend those strategies believed to be suitable for a particular client.

Important Note about Wrap Fee Programs.

Davidson participates in wrap fee programs sponsored and administered by D.A. Davidson & Co., an affiliated broker-dealer, and unaffiliated parties (the "Sponsors"). As compensation for its services, Davidson Investment Advisors receives management fees based upon the total market value of all assets according to the fee schedules of each separate wrap fee program. 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.

Important Note about Other Advisory

Services. Davidson Investment Advisors provides model portfolio recommendations to other investment advisers. Services and fees for these arrangements will be negotiated.

Davidson Investment Advisors acts as investment adviser to the Davidson Multi-Cap Equity Funds (DFMAX and DFM CX), which is a series of the Adviser Series Trust ("Trust"), and registered under the Investment Company Act of 1940 as an open-end management investment company. U.S. Bancorp Fund Services, LLC acts as the Fund's administrator and provides fund accounting and transfer agency services.

AMOUNT OF MANAGED ASSETS

As of 11/30/2011, Davidson clients' assets under management were \$1,038,142,062. \$1,033,538,528 is actively managed while \$4,603,533 is non-discretionary. Additionally, Davidson's provides its model to other investment advisors totaling \$33.8 million, which not included on the Firm's ADV Part 1.

Item 5 Fees and Compensation

DESCRIPTION

A client's investment management agreement will set forth the actual compensation the client will pay to Davidson. In most instances, a client pays Davidson an ongoing fee based on the gross market value of the assets in the account on the last day of the preceding quarter plus commissions for transactions. Davidson does not have one standard annual fee schedule that is applicable across all strategies but has a fee schedule per strategy and account type. The strategy specific fee schedules are below:

Equity Income Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$25m	0.70%
\$25m - \$50m	0.60%
\$50m - \$100m	0.55%
\$100m and above	0.50%

Institutional clients are subject to a \$10m minimum or \$70,000 annual fee.

Multi-Cap Equity Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$25m	0.80%
\$25m - \$50m	0.75%
\$50m - \$100m	0.65%
\$100m and above	0.60%

Institutional clients are subject to a \$10m minimum or \$80,000 annual fee

Small/Mid Equity Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$25m	0.90%
\$25m - \$50m	0.83%
\$50m - \$100m	0.78%
\$100m and above	0.72%

Institutional clients are subject to a \$10m minimum or \$90,000 annual fee.

Intermediate Fixed Income Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$25m	0.35%
\$25m - \$50m	0.32%
\$50m - \$100m	0.30%
\$100m and above	0.27%

Institutional clients are subject to a \$10m minimum or \$35,000 annual fee.

ADDITIONAL FEE INFORMATION

How Fees are Charged. Fees are generally charged quarterly, in advance, payable on the first day of the quarter, based on the gross market value of assets in the account (including cash and cash-equivalents). Some clients may be charged in arrears and/or monthly. If management begins after the start of a month or quarter, fees will be prorated accordingly. The initial billing period begins when an investment management agreement is signed by the client and accepted by Davidson. The investment management agreement stipulates that clients that have their assets held at D.A. Davidson & Co. will have fees directly debited from client accounts. Clients also have the option to have their fees billed separately, by making prior arrangements with Davidson. Client assets held at outside custodians are generally automatically debited from client accounts.

Services Covered by the Fees. The fee

includes Davidson's investment management and other administrative services.

Services NOT Covered by the Fees. The fee does not include commissions for account transactions, custodial fees, or charges arising from retirement account fees, trust fees, margin interest charges, exchange fees, redemption fees that may be assessed on mutual fund shares, transfer fees or other special service fees and charges.

For accounts with a margin debit held at D.A. Davidson & Co., client pays a management fee on the gross value of securities in the account and margin interest on the debit balance in the account.

Additional Fees and Expenses. Davidson may invest client assets in one or more pooled investment vehicles, such as mutual funds and exchange traded funds, if such investments are consistent with the investment objectives and policies of the client accounts involved. If Davidson makes such an investment on behalf of its clients, those clients will be responsible, indirectly as investors in the pooled investment vehicles, for a portion of the operating expenses of the pooled investment vehicles in which they are invested. In effect, those clients would be paying multiple advisory fees.

Termination of the Advisory Relationship. If either Davidson or client terminates the client's investment management agreement, any prepaid, unearned fees will be refunded. In calculating a client's reimbursement of fees, Davidson will credit the client's account with a pro-rated refund based on the number of days remaining in the billing period.

Advisory Fees in General. Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Additional General Fee Information. In some instances, clients may pay a higher fee than

indicated in the fee schedules above. Davidson may modify a client's existing fees and/or add additional fees or charges by providing the client thirty (30) days prior written notice. The fee schedules set forth above are current fee schedules for various strategies. Each strategy has had different fee schedules in effect over time, which may have reflected fees that are higher or lower than those currently stated. As new fee schedules are put into effect, only new clients are affected, therefore, some clients may pay different fees than those stated above.

Davidson, at its discretion, may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

ERISA Accounts. Davidson Investment Advisors 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, Davidson is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Davidson Investment Advisors 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 Davidson Investment Advisors' advisory fees.

Other Advisory Fees Collected by Davidson:

Davidson Investment Advisors receives fees for the investment advisory services it provides for the Davidson Funds. Investors are invited to visit our website at

www.Davidsonmutualfunds.com and read the Fund's prospectus for more information.

Wrap Fee Programs. Davidson's fee for its sub-advisory arrangements is determined by separate contracts entered into with various program sponsors. These fees, including any and all trading and transaction costs are "wrapped" into one overall fee as determined and calculated by the wrap fee sponsor.

The amount of Davidson's portion of the wrap fee varies dependent upon several factors, including the specific terms agreed between Davidson and the wrap fee sponsor, the client's account size, the client's related investment management accounts, and individual account investment restrictions.

Important information about the program sponsor's advisory programs, brokerage services, custody relationships and conflicts of interest is available in the Program Sponsor's Form ADV, Part 2. To obtain a copy, please contact the Program Sponsor directly.

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

Davidson Investment Advisors, Inc. does not charge performance-based fees.

Item 7 Types of Clients

Davidson offers its services to all types of current or prospective clients, including, but not limited to: individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; corporations or other business entities; and registered investment companies.

Minimum Account Requirements. A minimum of \$100,000 of assets under management is

required to participate in the Equity Income strategy, \$150,000 to participate in the Multi-Cap Equity strategy, \$200,000 to participate in the Intermediate Fixed Income strategy and \$250,000 for Small-Mid Equity strategy. Please refer to Item 8 for a detailed description of the investment strategies. This account size may be negotiable under certain circumstances. Davidson Investment Advisors may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**METHODS OF ANALYSIS**

The investment team process leverages one team, with shared responsibility for due diligence and explicit accountability for decisions. There is a focus on discipline in portfolio construction and risk-adjusted investment performance.

Davidson utilizes three primary methods of analysis:

Fundamental Analysis. Davidson 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 company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This 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 evaluating the stock.

Quantitative Analysis. Davidson uses mathematical models in an attempt to obtain

more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. Davidson subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and attempts to predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

Risks for all forms of analysis. Securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, 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 are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

Davidson offers four investment strategies:

Small/Mid Equity Strategy

The Davidson Small/Mid Cap Equity strategy is guided by an intensive, bottom-up research-driven approach focused on small and medium sized companies that have been neglected or mispriced by Wall Street analysts. Davidson's philosophy is rooted in the belief that the stocks of companies which maintain a sustainable competitive advantage within their industry can outperform over the long-run, if they can be purchased at an attractive valuation relative to their intrinsic cash flow

potential. Our goal is to create a diversified portfolio of companies and hold them until this potential is recognized by the marketplace.

The Davidson Small/Mid Cap Equity strategy approach is based on three tenets: businesses with proven economics, free cash flow, and the concept of under-appreciated operating leverage. Davidson seeks businesses with proven economics, identified by determining sales growth opportunities, attractive margins, above average returns, sustainable competitive advantage, and a conservative balance sheet. Our free cash flow focus examines cash flow over EPS, incorporating proprietary modeling and valuation discipline. We find that companies with under-appreciated operating leverage can generate accelerating profitability with associated value accretion which combined can drive significant stock price appreciation.

Equity Income Strategy

The Davidson Equity Income strategy is a focused, fundamentally-driven approach seeking strategically advantaged companies that are priced below fair appraisal value. Particular emphasis is placed on understanding competitive dynamics and discovering "Dividend Power" that will lead to long-term value for shareholders. Our goal is to create a diversified portfolio of quality companies that will deliver a compelling return per unit of risk.

The Davidson Equity Income strategy investment approach is based on three primary tenets: quality bias, dividend power, and value discipline. Our quality bias has been effective in avoiding what are traditionally known as value traps where investors are often lured by attractive valuations only to find that the fundamentals of the companies continue to erode, and that the inexpensive valuation was basically a forecasting of worst situation to

come. We think that with a quality bias our confidence in our ability to properly appraise a business goes up versus a distressed situation. A dividend focus provides an advantage in executing a value strategy. While value may be recognized in the market, it can be difficult to precisely know when this value may be realized. With dividends we can afford the patience necessary for ourselves and clients to properly execute a value strategy. We find that dividends help compensate investors by getting paid to wait for true long term value to be realized. Our value discipline employs a multivariate appraisal process grounded in three dimensions of value: asset replacement value, dividend power value, and growth value. We de-construct value in order to avoid data corruption, to give us multiple perspectives using different valuation methodologies, and to maintain rational decision making under rapidly changing market scenarios. Replacement value is by its nature the most tangible appraisal and applicable in a highly competitive environment with low barriers to market entry. Dividend power value is based on a company's sustainable cash earnings and will be higher than replacement asset value when a company has a competitive advantage. Furthermore, we only ascribe growth value to our appraisal when we are confident that a company has a sustainable competitive advantage that should allow for profitable growth.

Multi-Cap Equity Strategy

The Davidson Multi-Cap Equity strategy is focused on a fundamentally-driven approach which seeks companies across market capitalization categories and traditionally-defined investment styles. Particular emphasis is placed on uncovering investment opportunities with definable catalysts to drive business growth over the long term. Our goal is to create a portfolio of quality companies,

unconstrained by style or market capitalization restrictions, focusing on the optimization of risk relative to potential reward.

The Davidson Multi-Cap Equity strategy investment approach is based on three primary tenets: broad market coverage, fundamental focus, and disciplined portfolio management. Broad market coverage provides the flexibility to invest in a diversified manner across the range of market capitalization sizes and styles including value, core, and growth companies. We will adjust the portfolio based on available investment opportunities in the marketplace. Our fundamental focus examines business and financial trends, management capabilities, and competition to determine if the company has a sound achievable strategy with sufficient return on capital. Disciplined portfolio management is exercised by sizing positions commensurate with risk, diversification across sectors, inclusion of only the highest quality companies and allowance for modest sector tilts.

Intermediate Fixed Income Strategy

The Davidson Intermediate Fixed Income strategy is a portfolio of debt securities which seeks to optimize the risk/return tradeoff of the one to ten year maturity range. Davidson's approach is based on a belief that with adequate liquidity and diversification the opportunity set is greatest within the Intermediate sector of the yield curve. Our goal is to create a portfolio of highly liquid fixed income securities which will produce substantial current income with the potential for appreciation over time.

The Davidson Intermediate Fixed Income strategy approach is guided by three primary tenets. The first is intermediate term and investment grade. We find that the sweet spot between the preservation of capital and risk

reward is at the cross-section of intermediate term investment grade bonds. Historically, we find that the intermediate portion of the yield curve has delivered equivalent return, but at nearly half the volatility of longer term bonds. The second tenet is a focus on liquidity and diversification. Liquidity is a foundation of our approach, as a strategy is managed for risk-adjusted total return. Our ability to readily transact at reasonable cost not only provides clients the options for near term liquidity, but also the prospect to reallocate based on relative value. The third tenet is a belief that fixed income assets are best managed actively with respect to duration and credit exposures, versus a passive or laddered approach.

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 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's databases, which occurred at the end of 2007. D.A. Davidson was censured and fined \$375,000.

Item 10 Other Financial Industry Activities and Affiliations

Davidson is a wholly-owned subsidiary of Davidson Companies, a financial services holding company with other subsidiaries: D.A. Davidson & Co., Davidson Trust Co, and Davidson Fixed Income Management. 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 is also registered as an Introducing Broker with the National Futures Association. Davidson Trust Co. is a federal savings bank. Davidson Fixed Income Management is a SEC registered investment adviser.

Davidson may suggest clients use affiliate D.A. Davidson & Co. for brokerage, custody and safekeeping purposes, but the client retains the right to direct Davidson to use another broker. If a client elects to use D.A. Davidson & Co., the client may terminate the arrangement at any time.

D.A. Davidson employs the President of Davidson as a Financial Consultant. He serves in dual capacities as President of Davidson and as a Portfolio Manager with D.A. Davidson. As such, in certain circumstances, he may have an incentive to refer a potential Davidson customer to D.A. Davidson, and vice versa.

Davidson Trust Co. employs Davidson to manage money for some of its clients who have granted investment discretion to the Trust. Davidson manages five Davidson Trust Co. common trust funds.

Mutual Fund. Davidson Investment Advisors previously disclosed in "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) of this brochure that it is the investment adviser to the Davidson Multi-Cap Equity Fund, a series of the Adviser Series Trust, an investment company registered under the

Investment Company Act of 1940. Please refer to these items for a detailed explanation of this relationship and important conflict of interest disclosures.

For additional information, the Fund Prospectus and Statement of Additional Information are available on-line at: www.Davidsonmutualfunds.com. Prospective investors should review these documents carefully before making any investment in the Mutual Fund.

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

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

Davidson'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 Davidson 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 adv@dadco.com, or by calling us at 406-727-6111.

As a general practice, Davidson does not

engage in principal transactions. Davidson, however, may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by our affiliate or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

Davidson Investment Advisors and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Davidson employees are allowed to invest in the same securities recommended to or owned by clients. However in order to avoid conflicts of interest, all Davidson 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

For discretionary clients, Davidson Investment Advisors will determine: (1) which securities are bought and sold; (2) the total amount of such purchases and sales and whether a client's transaction should be aggregated with those of other clients; (3) the broker through which transactions will be executed and; (4) the commission rates paid to effect the transactions in the good faith judgment of the firm so that such orders will be placed at prices and commissions that will be in the best interest of the account.

Best Execution. Davidson has the obligation to seek "best execution" when it places trades

with broker-dealers. Best execution entails the efficient placement of orders, clearance, settlement and the overall quality of execution as well as the cost of the transaction.

Selection of Broker-dealers. Davidson considers the full range and quality of the services in selecting or approving broker-dealers to meet best execution obligations which include but are not limited to: ability of provide anonymity; promptness of execution; access to inventory in case of fixed income, or access to multiple centers and alternative networks in case of equity; best available price; competitive bids/offers; trader has adequate backup; financial stability/business reputation; overall responsiveness, and communication.

Soft Dollars. Consistent with obtaining best execution for clients, Davidson maintains trading arrangements with various broker-dealers whereby it has access to its research. Davidson may direct trades to one of those broker-dealers and pay commissions that are competitive but that are higher than the lowest available rate that another broker might have charged, if Davidson determines in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided.

The provision of such services in exchange for brokerage business is commonly referred to as a "soft dollar arrangement." Research services and products may include tangible research products, (publications or writings as to the value of securities, analysis and reports concerning issuers, industries, economic factors and trends) as well as direct access to analysts and traders. In addition, a broker-dealer may provide Davidson with products such as software products and programming that can be used to perform research activities. Davidson does not enter into soft dollar arrangements that are not covered by the safe

harbor of Section 28(e) of the Securities Exchange Act of 1934.

Directed Brokerage. Some clients, when undertaking an advisory relationship, may already have a pre-established relationship with a broker-dealer. Therefore, the client may instruct Davidson to execute all transactions through that broker-dealer. If the client directs Davidson to use a particular broker-dealer, the client recognizes that Davidson will likely have no authority to negotiate commissions, to obtain volume discounts and best execution may not be achieved. Under these circumstances, there may be a disparity in commissions charged among Davidson clients. A potential conflict of interest may arise from such referrals and directed brokerage relationships.

Order Aggregation. Davidson Investment Advisors will aggregate client trades where possible and when advantageous to clients. This aggregation of trades permits the trading of blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Aggregate trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Davidson will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day.

Item 13 Review of Accounts

Reviews. The investment team continually monitors the underlying securities within each strategy's portfolios. Depending on the type, accounts are generally reviewed on a quarterly basis or at least on an annual basis. Specific client-imposed restrictions are reviewed

periodically. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, political or economic environment.

These accounts are reviewed by various members of the investment team, client service professionals and portfolio administrators.

Reports. Davidson generally provides written reports to clients on the performance of their account(s) on a quarterly basis. Client performance reports usually include a portfolio valuation, the asset allocation, and account performance.

Performance returns include the deduction of advisory fees, transaction costs, market appreciation or depreciation and the reinvestment of capital gains, dividends, interest and other income.

If D.A. Davidson provides custodial services, a client will receive a monthly D.A. Davidson brokerage account statement when activity occurs during that month, or at least quarterly. If account assets are not custodied at D.A. Davidson you will receive a periodic account statement directly from your custodian. That statement is the official record of your account and the assets contained in it.

When preparing a client's account statements and performance reports, D.A. Davidson relies on third parties, such as third party quotation services and custodians when determining the value of account assets. Our firm does not conduct an in-depth review of valuation information provided by third party quotation services or custodians, and it does not verify or guarantee the accuracy of such information. The prices obtained by Davidson from the third party quotation services it uses may differ from prices that could be obtained from other sources. If a client has assets held by a third party custodian, the prices shown on a client's account statement provided by the custodian

may be different from the prices shown on statements and reports provided by Davidson due to the use of different valuation sources by the custodian and Davidson.

Item 14 Client Referrals and Other Compensation

CLIENT REFERRALS

Davidson may from time to time pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever Davidson pays a referral fee, we require the Solicitor to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information: the Solicitor's name and relationship with our firm; the fact that the Solicitor is being paid a referral fee; the amount of the fee; and whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

OTHER COMPENSATION

It is Davidson Investment Advisors' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that when client assets are custodied at our affiliate, D. A. Davidson, a qualified custodian, advisory fees can be directly debited from client accounts. In some instances a client appoints a separate custodian to maintain client assets.

As a qualified custodian, D.A. Davidson and

other unaffiliated custodians send quarterly account statements to clients. We urge you to compare the information contained in the quarterly account statements, specifically the securities and cash positions, to the information contained in your monthly custodial statements for the same period.

Item 16 Investment Discretion

Clients hire us to provide discretionary asset management services, in which case Davidson places trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client: determine the security to buy or sell; and/or determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign an investment management agreement with Davidson, and may limit this authority by giving us written instructions. Clients may also change such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

Davidson votes proxies for all client accounts; however, clients always have the right to vote proxies. Clients can exercise this right by instructing us in writing to not vote proxies in your account.

Davidson uses a third party vendor to exercise its proxy voting administrative duties and receives voting recommendations from another third party service provider Davidson has engaged for making such recommendations. Davidson will generally vote proxies for client accounts based on the recommendations of our third party service

provider. However Davidson may override the third party service provider's recommendations when it determines it to be in the clients' best interests. Davidson Portfolio Managers may also suggest how to vote on a particular matter not addressed by the third party service provider.

An Investment Adviser Proxy Voting Committee (the "Committee"), with members including senior personnel from Davidson and other Davidson Companies' subsidiaries, meets periodically. The Committee monitors Davidson's overall adherence to proxy voting policies and procedures. It also reviews the rationale for some proxy votes that are not covered by the policies and procedures, or that present a potential conflict of interest. The Committee periodically reviews policies and procedures and provides advice for revisions thereof.

Davidson proxy voting policies and procedures can be found on the Internet at www.davidsoncompanies/dia.com or a copy of the policies can be mailed, free of charge, at client's request to the following address: Davidson Investment Advisors' Compliance Department, 8 Third Street North, Great Falls, MT, 59401.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact his or her Davidson representative by telephone, email, or in writing.

Class Actions and Corporate Actions. Davidson will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the

client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

Item 18 Financial Information

We are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations.

Davidson Investment Advisors, Inc. has no additional financial circumstances to report.

Davidson Investment Advisors, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

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