



DAVIDSON
INVESTMENT ADVISORS

Part 2A of Form ADV:

Firm Brochure

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This firm 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 800-332-0529 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, which 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 March 31, 2015 contains the following material changes from the last annual update, December 15, 2014 Brochure:

- Effective March 31, 2015, SeaCap Investment Advisors began to operate as a division of Davidson Investment Advisors, Inc. SeaCap Investment Advisors formerly operated as a division of Davidson Fixed Income Management Inc., which is also a wholly-owned subsidiary of D.A. Davidson Companies. SeaCap Investment Advisors offers fixed income portfolio management services for both institutional and individual clients.

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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. 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 D.A. Davidson Companies, a financial services holding company. Davidson Investment Advisors has been conducting business since 1975. Its headquarters are in Great Falls, Montana with additional offices in Seattle, Washington.

Effective March 31, 2015, SeaCap Investment Advisors ("SeaCap") began to operate as a division of Davidson Investment Advisors, Inc. SeaCap formerly operated as a division of Davidson Fixed Income Management, which is also a wholly-owned subsidiary of D.A. Davidson Companies. SeaCap Investment Advisors offers fixed income portfolio management services for both institutional and individual clients.

TYPES OF ADVISORY SERVICES

Davidson Investment Advisors offers professional portfolio management to individuals 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 primarily manages client portfolios

with full investment discretion and considers individual investors' needs when recommending an investment strategy to its clients. Davidson offers four investment strategies: Equity Income, Multi-Cap Equity, Small/Mid Equity and Intermediate Fixed Income. SeaCap has a separate Brochure that describes investment strategies and investment advisory services offered by SeaCap.

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.

The investment strategies discussed in this Brochure may not be appropriate for all clients. 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 administrated 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 Fund (DFMAX, DFMCX and DFMIX),

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 3/31/2015, Davidson managed \$1,909,026,299 in assets on a discretionary basis. Davidson does not manage any assets on a non-discretionary basis. Additionally, Davidson provides several investment strategies via a model-based solution to other investment advisers. As the model portfolio provider, Davidson monitors and updates the portfolio; investment advisors then implement the model portfolio for their clients and adjust the model portfolio as recommended by Davidson. Davidson does not have any trading authority over the clients' assets. As of 3/31/2015, Davidson's model-based assets totaled \$94.6 million, which is 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. Advisory fees are negotiable. Below are the strategy specific fee schedules:

Equity Income Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.65%
\$10m - \$25m	0.60%

\$25m - \$50m	0.55%
\$50m and above	0.50%

Institutional clients are subject to a \$5m minimum or \$32,500 annual fee.

Multi-Cap Equity Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.70%
\$10m - \$25m	0.65%
\$25m - \$50m	0.60%
\$50m and above	0.55%

Institutional clients are subject to a \$5m minimum or \$35,000 annual fee.

Small/Mid Equity Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.85%
\$10m - \$25m	0.80%
\$25m - \$50m	0.75%
\$50m and above	0.70%

Institutional clients are subject to a \$5m minimum or \$42,500 annual fee.

Intermediate Fixed Income Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.32%
\$10m - \$25m	0.30%
\$25m - \$50m	0.27%
\$50m and above	0.25%

Institutional clients are subject to a \$5m minimum or \$16,000 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). Depending on the terms of the investment management agreement, 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. Clients may choose to have fees deducted directly from their account or be invoiced quarterly.

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.

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. In those instances where Davidson provides investment advice about products for which our firm and/or our

related persons receive commissions or 12b-1 fees, such fees will offset Davidson's 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, the Intermediate Fixed Income strategy and Small/Mid Equity strategy and \$150,000 to participate in the Multi-Cap 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 for all its investment strategies:

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 of 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. Investing in any security involves risk of loss that clients should be prepared to bear.

INVESTMENT STRATEGIES

Davidson offers four investment strategies:

Small/Mid Equity Strategy

The Davidson Small/Mid Equity strategy is actively managed and invests in high-quality companies with attractive margins, conservative balance sheets and opportunity for growth in the under-researched small/mid

cap segment of the market. Using proprietary modeling and a strict valuation discipline, we favor companies generating cash flow and funding growth internally, seeking to identify those with potential for growth and expanding operating leverage not currently recognized by the market.

Equity Income Strategy

The Davidson Equity Income strategy is actively managed and invests in high-quality companies with solid balance sheets, ample cash flow and a strong competitive position generating attractive return on capital. Key to the investment strategy is our focus on Dividend Power - looking beyond current dividend yield to include a company's future capacity for dividends. Using a multivariate appraisal process, we assess value across three dimensions (Asset Value, Dividend Power and Growth Value) to uncover quality companies underappreciated by the broader market.

Multi-Cap Equity Strategy

The Davidson Multi-Cap Equity strategy is actively managed and unconstrained by market capitalization and style classifications. As fundamental investors, we are cognizant of cyclical and secular dynamics, and focus on profitable companies with attractive return on capital, cash flow and growth prospects. Of key importance are superb management teams with sound, achievable strategies. We take active industry positions, with relative position sizes commensurate with risk. Our holdings are diversified by economic sector and adjusted based on where we view the greatest market opportunities.

Intermediate Fixed Income Strategy

The Davidson Intermediate 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.

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

Davidson is 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. 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.

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

Davidson Investment Advisors employs two portfolio managers from Davidson Fixed Income Management to manage a select group of portfolios within the SeaCap division. They are located in Denver, Colorado and Lake Oswego, Oregon.

D.A. Davidson Trust Company employs Davidson to manage money for some of its clients who have granted investment discretion to the Trust. Davidson manages five D.A. Davidson Trust Company 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 Funds, 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 Funds' 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(s).

Local Government Investment Pool ("LGIP") Services

Davidson Investment Advisors' affiliate Davidson Fixed Income Management serves as the investment adviser and administrator to Colorado Surplus Asset Fund Trust (CSAFE), a Colorado local government investment pool. CSAFE is authorized by Colorado State Statutes and is regulated by the Colorado Division of Securities and is structured to meet the daily liquidity needs of local governments. In its role as investment adviser Davidson Fixed Income Management works to manage the portfolio in accordance with Colorado State Statutes and in accordance with Standard and Poors Corporation's guidelines for AAAm rated stable net asset value government investment pools.

Davidson Fixed Income Management manages CSAFE on a discretionary basis and the investments may include government and government agency debt, corporate bonds, commercial paper, certificates of deposit, money market mutual fund shares, mortgage-backed and asset-backed instruments and other money market instruments allowable under Colorado State Statute.

In addition to acting as investment adviser to CSAFE, Davidson Fixed Income Management also acts as administrator for CSAFE. In our role as administrator, Davidson Fixed Income Management is responsible for maintaining all participant recordkeeping including the maintenance of separate accounts for each

participating entity; recording individual transactions and totals of all investments; arranging for the redemptions of shares by participants, providing confirmation of all transactions, purchases and redemptions; and other activities that are customarily performed by an account administrator.

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

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.

Directed Brokerage in Wrap Programs. Client accounts managed by Davidson 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 incur the client additional trading costs. A Wrap Program client should confer with the program's sponsor and determine that the direction of brokerage provided for under the program is reasonable in view of the benefits received, and that the trade execution provided by the program's sponsor is in the client's best interest.

Davidson "steps-out" the majority of its trades, since it believes that "step-out" trades are more likely to provide Wrap Program clients with best execution and offer a higher degree of liquidity. Since Davidson will frequently trade away from the program sponsor, Wrap Program clients will incur trading costs that are in addition to the fee they pay to the program sponsor.

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 typically 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.

Clients will receive account statements directly from their 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, Davidson relies on third parties, such as third party quotation services and other 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 other 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 that 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.

Qualified custodians send account statements and other reports directly to clients. We urge you to compare the information contained in the Davidson quarterly account statements and other reports to the information contained in your 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 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 providing us with subsequent 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 D.A. 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.com/dia 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. 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.