



Part 2A Appendix 1 of Form ADV Wrap Fee Program Brochure

Discretionary Programs

Managed Funds Portfolios

Russell Model Strategies

Separate Account Management

Managed Account Consulting

Unified Managed Account

Paragon

Non-Discretionary Programs

Choice

**8 Third Street North
Great Falls, MT 59401**

Telephone: 406-727-4200 or 800-332-5915

Email: adv@dadco.com

www.davidsoncompanies.com

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This wrap fee program brochure provides information about the qualifications and business practices of D.A. Davidson & Co. If you have any questions about the contents of this brochure, please contact us at 406-727-4200 or 800-332-5915 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 D.A. Davidson & Co. is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by our firm's CRD number is 199.

Item 2 Material Changes

D.A. Davidson & Co. (“Davidson”) updated the Form ADV Part 2A wrap fee program brochure (the “Brochure”) on June 29, 2012. The following summary discusses the material change that Davidson has made to the Brochure since December 15, 2011, the date of the last annual update to the Brochure.

- On June 29, 2012, Davidson added important information about affiliated products to this Brochure. Davidson Financial Consultants may purchase or recommend for purchase affiliated mutual funds into certain advisory Paragon and Choice accounts. This presents a conflict of interest. Please see “Additional Information-Other Financial Industry Affiliates and Activities” in Item 9.

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Item 4 Services, Fees and Compensation

D.A. Davidson & Co. ("Davidson") is a SEC-registered investment adviser with its principal place of business located in Montana. The purpose of this Wrap Fee Program 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 of one or more of Davidson's investment advisory programs covered in this Brochure. For a complete description of other services and fee arrangements offered by our firm, clients should refer to our Form ADV Part 2: Firm Brochure. Davidson also participates in the Managed Account Resources Program, which is described in our Firm Brochure and offers Financial Planning Services which is also described in a separate brochure. You may obtain a copy of Davidson's Firm Brochure and other Davidson Brochures by mailing your request to 8 Third Street North, Great Falls, MT 59401, Attn: Compliance Department, or e-mail at adv@dadco.com, or call 406-727-4200 or 800-332-5915. 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 sponsors various investment advisory programs ("Program" or "Programs") offered to its clients through its Managed Assets Department. The Programs described in this Brochure are provided to clients in a "wrap fee" arrangement. A wrap fee arrangement is one in which a single fee is charged based on the market value of assets in the client's account, rather than on the transactions in the account as in a commission ("Brokerage") account. The wrap fee covers advisory services related to the Programs. Advisory services generally include investment advice or counsel provided by Davidson investment professionals and/or the client's Davidson Financial Consultant, Portfolio Management in applicable Programs, the execution of client transactions, custody services, account servicing, and performance reporting, in addition to other standard services.

The Programs are either (1) discretionary Programs, where a client appoints Davidson to make investment decisions with respect to the assets in client's account ("Discretionary Programs"); or (2) non-discretionary Programs, where a client appoints Davidson to provide investment advice and recommendations as to the assets in client's account, but, the client retains full authority over the decisions regarding the actual selection and implementation of those assets. ("Non-Discretionary Programs").

The following are Discretionary Programs: (1) Managed Funds Portfolios; (2) Russell Model Strategies; (3) Separate Account Management; (4) Managed Account Consulting, (5) Unified Managed Account; and (6) Paragon. The following are Non-Discretionary programs: (1) Choice.

In the advisory relationship between the client and Davidson, a client will typically work with a Davidson Financial Consultant to determine client's overall investment situation, needs, goals, risk tolerance and time horizon for the assets being invested. To assist in identifying these factors, clients complete an Investment Profile Questionnaire ("Questionnaire"). Based on the information provided by the client and the results of the Questionnaire, a Davidson Financial Consultant will use this information, among other things, to assist the client in selection of the appropriate Program(s) and subsequent investment strategy. If the client wishes to proceed with the Program(s), client will enter into an Advisory Agreement which contains specific terms applicable to the Program(s) selected, advisory services to be offered, fees payable by client, and other terms applicable to the client's advisory relationship with Davidson.

Not all Programs discussed in this Brochure may be appropriate for a client. Each Program is designed to meet differing investment needs of clients. The Programs offered may have different levels of services, administration and structure, and fees and expenses. The particular investment advisory services that Davidson provides in connection with each Program are described in detail below. Please review this Brochure carefully, in its entirety.

DISCRETIONARY PROGRAMS

(1) MANAGED FUNDS PORTFOLIOS ("MFP")

The MFP Program offers clients discretionary investment management based on propriety strategic asset allocation models developed by Davidson. The models vary in their exposure to different asset classes (such as equities, fixed income and alternative investments), as well as different styles (such as growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives. The models use mutual funds and/or exchange traded funds ("ETFs") and/or exchange traded notes ("ETNs") of various investment companies to gain these exposures.

With the professional advice and guidance of a Davidson Financial Consultant, the client will select an MFP model that is appropriate for the investment circumstances set forth in the Questionnaire. The Davidson Financial Consultant will often provide the client with an investment proposal or strategy sheet that identifies the specific portfolio model recommended to client and details the underlying mutual funds, ETFs and where applicable, ETN investments as well as the overall asset and style allocation of the model.

Since the MFP program models are discretionary in nature, Davidson constructs the model portfolios and will from time to time and without notice or approval from client, adjust the asset allocations of the MFP models. Davidson also determines the specific mutual funds, ETFs and ETNs that comprise the models and in its sole discretion will from time to time adjust the percentages allocated to those investments and/or will hire or fire a manager as it deems appropriate. For more information on the investment process in the MFP Program, please see Item 6 Portfolio Manager Selection and Evaluation.

Other services offered in the MFP program include periodic rebalancing of the client's portfolio to maintain the desired asset allocation, monthly custodial account statements, and quarterly performance reporting. Please see the Additional Program Information Section for other special considerations.

Davidson offers the following model iterations, each designed to meet a particular investment goal: Classic, Focus, Index-Based and Elite models.

(2) RUSSELL MODEL STRATEGIES ("RMS")

The RMS Program offers clients discretionary investment management based on strategic asset allocation models developed by Russell Investments. The models vary in their exposure to different asset classes (such as equities, fixed income and real assets), as well as different styles (such as growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives. The models use mutual funds in the Russell Funds family to gain these exposures.

With the professional advice and guidance of a Davidson Financial Consultant, the client will select an RMS model that is appropriate for the investment circumstances set forth in the Questionnaire. The Davidson Financial Consultant will often provide client with an investment proposal or strategy sheet that identifies the specific portfolio model recommended to client and details the underlying mutual fund investments as well as the overall asset and style allocation of the model.

Since the RMS program models are discretionary in nature, Russell constructs the model portfolios and will from time to time and without notice or approval from client, instruct Davidson to adjust the asset allocations of the RMS models. Russell also determines the specific Russell mutual funds that comprise the models and in its sole discretion will from time to time instruct Davidson to adjust the percentages allocated to those investments and/or will add or remove a fund as it deems appropriate. Davidson retains discretion over the implementation of instructions by Russell, and may implement differently than those proposed by Russell. For more information on the investment process in the RMS Program, please see Item 6 Portfolio Manager Selection and Evaluation.

Other services offered in connection with the RMS program include periodic rebalancing of the client's portfolio to maintain the desired asset allocation, monthly custodial account statements, and quarterly performance reporting. Please see the

Additional Program Information Section for other special considerations.

Davidson offers the following Russell model strategies, each designed to meet a particular investment goal: Core and Tax-Managed models.

(3) SEPARATE ACCOUNT MANAGEMENT ("SAM")

The SAM Program offers clients discretionary investment management services from selected third-party or affiliated investment managers. Based on information in the client's Questionnaire, a Davidson Financial Consultant presents the client with one or more appropriate investment strategies from a list of pre-screened investment advisers, with which Davidson has contracted as either sub-advisers ("SAM Managers") or Model Providers. Client will automatically enter into either a SAM Manager or Model Provider arrangement depending on the investment manager and accompanying strategy selected by the client for the account.

The client enters into an Advisory Agreement with Davidson for the provision of advisory, custody, brokerage and administrative services. The client grants Davidson investment discretion in these accounts. Davidson delegates that discretion to the selected sub-adviser in the case of SAM Manager accounts or retains discretion in the case of Model Provider accounts. If client selects a SAM Manager strategy, the SAM Manager actively manages client's portfolio in conformance with the investment objectives from client's Questionnaire. If client selects a Model Provider strategy, Davidson will use the investment model provided by Model Provider to manage client's portfolio in conformance with the investment objectives from client's Questionnaire. In both arrangements, Davidson has no influence over the investment managers' investment decisions or security selection. Davidson or an affiliate may act as a SAM Manager or Model Provider. For further information please see Item 6. Portfolio Manager Selection and Evaluation – Portfolio Management by Related Persons.

Davidson determines the investment managers available for participation in the SAM program

though varying degrees of initial and ongoing due diligence. Davidson has sole discretion to terminate a manager from the program, in which case the client will be notified. For more information on the manager evaluation process in the SAM Program, please see Item 6 Portfolio Manager Selection and Evaluation. The investment managers offered may have varying investment objectives, styles, and strategies and they may also employ varying types of securities to achieve those objectives. In addition, an investment manager's strategy may change in response to market conditions. If the client decides to participate in the SAM Program, client will receive a copy of each investment manager's Brochure which describes in detail the manager's strategy. A copy of the manager's Brochure is also available upon request.

If the client informs Davidson of any material changes to the information in the Questionnaire, in the case of SAM Manager accounts, Davidson will provide that information to the SAM Manager on client's behalf. In the case of a Model Provider account, Davidson will evaluate and make changes where appropriate. Other services offered in the SAM Program include monthly custodial account statements and quarterly performance reporting. Please see the Additional Program Information Section for other special considerations.

(4) MANAGED ACCOUNT CONSULTING ("MAC")

The MAC Program is intended to accommodate clients who wish to independently, or in some cases under the recommendation of their Davidson Financial Consultant, hire or retain a third-party ("outside") investment manager to manage with investment discretion the assets in the client's account. In this Program, Davidson does not have discretion to make investment decisions on client's behalf. The client enters into separate advisory agreements with both Davidson and the outside investment manager, commonly referred to as a "dual contract" arrangement. The outside manager provides investment management services for the client in accordance with the advisory agreement entered into by the client and the manager. The separate advisory agreement with the manager governs all responsibilities of the

manager to the client. The client also enters into an advisory agreement with Davidson for the provision of selected advisory, custody, brokerage and administrative services.

Davidson, in its role as program sponsor, has sole discretion as to the outside managers allowed to participate in the MAC Program. However, Davidson does not manage the account and does not otherwise have any influence over the third party investment manager's investment decisions and security selection. Client understands that once retained by client, Davidson has no obligation to provide any recommendations, advice or counsel as to the outside managers and their investment process or management of client's account. Some or all of these services may be provided to a client by a Davidson Financial Consultant, if agreed upon by client and Financial Consultant directly. Once retained by client, an outside manager will be removed from managing client's account if directed by client to do so. However, Davidson, in its sole discretion, retains the right to remove any manager from the Program in which case the client will be notified. Davidson provides limited initial and ongoing due diligence of outside managers allowed participation in the Program and does not assume responsibility for the performance of the outside manager selected by the client. Please see Item 6 Portfolio Manager Selection and Evaluation for details.

The outside investment managers participating in the MAC Program may have varying investment objectives, styles, and strategies and they may also employ varying types of securities to achieve those objectives. In addition, an outside manager's strategy may change in response to market conditions. If the client decides to participate in the MAC Program, client will receive a copy of each outside investment manager's Brochure which describes in detail the manager's strategy. A copy of the manager's Brochure is also available upon request.

The client is responsible for promptly bringing to Davidson's attention any material change in the client's investment objective or financial condition. Davidson will provide that information to the outside manager on client's behalf. Other services

offered in connection with the MAC program include and delivery of monthly custodial account statements. Performance and other account information may be available to the client through the Davidson Financial Consultant and Davidson may, in some instances, provide the client with a quarterly performance report. Please see the Additional Program Information Section for other special considerations.

(5) UNIFIED MANAGED ACCOUNT ("UMA")

The UMA Program offers clients discretionary investment management in which multiple types of investment vehicles may be combined in a single account. A UMA account may consist of model portfolios provided by third-party investment advisers ("Sub-Managers"), and/or may include mutual funds and/or exchange traded funds ("ETFs") and/or exchange traded notes ("ETNs") representing different investment objectives, styles and strategies. Russell Investment Management Company ("Russell") offers its own proprietary asset allocation models that combine Russell Separate Accounts as a Separate Account option or Russell Separate Accounts together with Russell Funds as another UMA option for Davidson clients.

Davidson has engaged an overlay portfolio manager, ("Overlay Manager") to maintain the UMA platform and manage clients' accounts. The client enters into an Advisory Agreement with Davidson for the provision of advisory, custody, brokerage and administrative services. The client grants Davidson investment discretion in these accounts. Davidson delegates that discretion to the Overlay Manager.

Based on information in the client's Questionnaire, a Davidson Financial Consultant presents the client with one or more appropriate investment strategies from the list of pre-screened investment options. Client must approve in writing the initial investment selections and subsequent changes to the strategies employed for their account. Where a portion of the client's UMA portfolio is allocated to Sub-Managers, Overlay Manager will seek to manage the client's account in a manner consistent with the recommendations provided by the Sub-Manager. However, Overlay Manager may deviate,

in its discretion, from such recommendations. Davidson does not have influence over the Sub-Manager's investment decisions or security selection.

Davidson, in its role as program sponsor, determines the Sub-Managers, mutual funds, ETFs, and ETNs available in the UMA Program, through varying degrees of initial and ongoing due diligence. Davidson has sole discretion to terminate and replace a Sub-Manager, in which case the client will be notified, or remove a mutual fund, ETF or ETN from the list of available investment options. For more information on the evaluation process in the UMA Program, please see Item 6 Portfolio Manager Selection and Evaluation. If the client decides to participate in the UMA Program client will receive a copy of the Overlay Manager's Brochure.

Davidson serves as custodian for client assets. Unless the Overlay Manager otherwise directs transactions, Davidson serves as broker, effecting transactions initiated by the Sub-Manager for the purchase or sale of securities in the client's account. If the client informs Davidson of any material changes to the information on client's Questionnaire, Davidson will provide that information to Overlay Manager on client's behalf. Davidson provides administrative services for the client, monthly custodial account statements and quarterly performance reports. Please see the Additional Program Information Section for other special considerations.

An optional tax overlay management service is also available in the UMA Program for an additional fee. In providing tax overlay management services, the Overlay Manager will consider the tax consequences of transactions in the client's account and will evaluate recommendations received from Sub-Managers and Russell or generated by Overlay Manager in the context of such consequences and the tax information provided by the client. The Overlay Manager may, in light of other considerations in the client's account, effect transactions in the client's account even though such transactions may generate tax liabilities, including short-term taxable income. The performance of tax-managed accounts is likely to vary from that of non-tax managed accounts.

The Overlay Manager may accommodate reasonable restrictions on individual securities and/or industry sectors and may also screen a client's UMA portfolio based on socially responsible investing criteria. These restrictions are available to the client at no additional cost.

(6) PARAGON

The Paragon Program offers clients discretionary investment management in which a client grants full discretionary authority and management of account to Davidson and a Davidson Financial Consultant who has been approved to participate in the Paragon Program ("Paragon Manager"). A Paragon Manager will work with the client to develop an investment strategy based upon information provided to Paragon Manager, and identified in client's Questionnaire. Once a mutually agreed upon investment objective is determined, the Paragon Manager will continuously manage the client's account in conformance with said objective. The Paragon Manager makes all investment decisions for the client's account with the authority to buy, sell, hold securities at their discretion, as they deem appropriate, and without prior notice to the client.

Some Paragon Managers have model portfolios and distinct investment strategies while others use a more customized approach to implementation of client assets. Paragon Managers utilize varying types of securities to achieve client's investment objectives. The Paragon Manager will provide the client with more specific information as to how the Paragon Manager will manage client's account. The Paragon Manager may also provide information, including investment recommendations, for assets and types of securities held in other related or unrelated, advisory or non-advisory accounts. Some securities and security types Paragon Managers advise on may not be eligible for purchase in the client's Paragon Account. For more information on the evaluation process in the Paragon Program, please see Item 6 Portfolio Manager Selection and Evaluation.

Other services offered in connection with the Paragon Program include delivery of monthly custodial account statements and quarterly

performance reporting.

NON-DISCRETIONARY PROGRAMS

(1) CHOICE

Choice is a non-discretionary advisory program in which clients receive advice from a Davidson Financial Consultant regarding the client's own management of assets in their account. Neither Davidson nor client's Davidson Financial Consultant has investment discretion and may not buy or sell securities in connection with the account without the client's consent. The client enters into an agreement with Davidson for the provision of advisory, custody, brokerage and administrative services.

Based on information in the client's Questionnaire a Davidson Financial Consultant advises the client on an appropriate investment strategy, which includes security selection and general asset allocation, and may include advice on financial planning and other wealth management topics. The client has sole discretion, and makes the final decision whether to accept or reject an investment strategy or any specific recommendation to purchase or sell securities. The Davidson Financial Consultant is responsible for periodically reviewing the account to assess whether the investment strategy employed by client and investments made for client's account are suitable. Other than in connection with its consulting responsibilities as described above, Davidson does not assume responsibility for the performance of the securities selected by the client.

Other services offered in connection with the Choice Program include monthly custodial account statements, and quarterly performance reporting. Please see the Additional Program Information Section for other special considerations.

(2) SPECIAL CONDITION - MFP GUIDED ACCOUNTS

Davidson has legacy assets in a division of the MFP program called MFP Guided. MFP Guided accounts are non-discretionary. No new accounts are being accepted into the MFP Guided program.

ADDITIONAL PROGRAM INFORMATION

Custody and Trade Execution. Generally, Davidson serves as custodian for all client assets in the Programs. However, in some cases Davidson, in its sole discretion may accept certain client assets into the Programs when they are custodied at another financial institution acceptable to Davidson ("outside custody"). If client enters into an outside custody arrangement, client will pay a separate custody fee to the custodian of those assets in addition to a Program fee paid to Davidson for investment advisory services.

If Davidson provides execution services to a client, Davidson will arrange for delivery and payment in connection with those services rendered, and client authorizes Davidson to act on the client's behalf in all other matters necessary or incidental to the handling of the client's account.

Client-Directed Investment Restrictions. Client may impose reasonable investment restrictions on the management of their accounts, which may direct Davidson to not purchase or liquidate certain securities in an account. This option however, is not intended to permit a client to direct the purchase of certain securities or types of securities. If the request for restrictions is deemed reasonable by Davidson and approved, Davidson or the client's investment manager may select replacement securities as appropriate. Restrictions placed on an account may positively or negatively affect account performance, and may cause the account to perform differently than a like account with no restrictions. Restrictions cannot be placed on pooled investment vehicles (i.e. mutual funds, exchange traded funds, etc.).

Important Information about Affiliated Products. *In your Paragon or Choice advisory account, your Financial Consultants may purchase or recommend for your purchase Davidson Mutual Funds, for which Davidson Investment Advisors, Inc. serves as the investment advisor. DIA and Davidson are affiliated companies, with the same parent company. This presents a conflict of interest. For more information, see "Additional Information-Other Financial Industry Affiliates and Activities" below.*

Client-Directed Tax Consideration Requests.

Davidson may take into account special tax requests from clients in relation to its advisory programs, however, Davidson does not provide tax advice and if request is accommodated, Davidson will not be responsible for the development, evaluation or efficacy of any such tax strategy. Transactions executed from tax requests may positively or negatively impact account performance.

FEES

The specific fee a client will pay is set forth in their Advisory Agreement, or as indicated in any amendment thereof. In most instances, the client will pay an ongoing annual fee established as a percentage, based on the market value of assets in the account ("asset-based fee"). The Programs, except Paragon, are under a flat fee arrangement, where a single fee is charged and does not vary based upon the composition of the account (i.e. equity securities vs. fixed income securities, etc.).

In establishing the flat fee to be charged in the Programs, other than the Paragon Program, Davidson Financial Consultants will take into consideration the amount of assets being deposited into the program, other assets the client or house-holded parties may have invested in other Programs offered by Davidson, and the nature of the client relationship. As a general matter the greater the amount of assets a client has in a program when the fee is established, the lower the fee will be set, though depending on particular client circumstances not all clients with the same amount of assets will be charged the same fee in the same program

This is in contrast to the Paragon Program which has a tiered fee arrangement, in which the asset-based fee varies at different asset levels ("breakpoints"). Therefore, in the Paragon Program, the client will pay a higher fee for the first set of monies in the breakpoint range, and a reduced fee for the next set of monies, and so forth. Other fee arrangements may be available, if agreed upon separately.

The following fee schedules for each Program set forth the maximum fee rate for the Programs. Please see the Additional Fee Information section

for other special considerations.

MANAGED FUNDS PORTFOLIOS (MFP) & RUSSELL MODEL STRATEGIES (RMS)

Maximum Annual Fee 1.85 %

SEPARATE ACCOUNT MANAGEMENT (SAM)

EQUITY/BALANCED ACCOUNTS

Maximum Annual Fee 2.95%

FIXED INCOME ACCOUNTS

Maximum Annual Fee 1.15%

TACTICAL ETF STRATEGIES ONLY

Maximum Annual Fee 2.80%

DAVIDSON IIG RESEARCH MODELS ONLY

Maximum Annual Fee 2.45%

MANAGED ACCOUNT CONSULTING (MAC)

Maximum Annual Fee (Davidson's Portion)

2.40% plus outside manager's fee

UNIFIED MANAGED ACCOUNT (UMA)

TRADITIONAL UMA

Maximum Annual Fee 2.70%

RUSSELL SMA

Maximum Annual Fee 2.75%

RUSSELL UMA

Maximum Annual Fee 1.95%

PARAGON

Gross Market Value Annual Fee

First \$250k 2.35%

Next \$250k 2.10%

Next \$500k 1.85%

Next \$1MM 1.60%

Next \$2MM 1.35%

Next \$4MM 1.10%

CHOICE

Maximum Annual Fee 2.25%

ADDITIONAL FEE INFORMATION

How Fees are Charged. Program 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). The UMA Program is an exception where the initial quarter, or partial-quarter, is charged in arrears, and then all subsequent quarters are charged in advance. Some clients may be charged in arrears and/or monthly. If management begins after the start of a month or quarter, Program fees will be prorated accordingly. The initial billing period begins when a Program's Advisory Agreement is signed by the client and accepted by Davidson. Typically, fees are automatically debited from the client's account, billed in accordance with the terms set forth in the Program's Advisory Agreement. Fees may be paid with other billing arrangements if agreed upon separately.

Services Covered by the Program Fees. The Program fees pay for our firm's advisory services to clients, brokerage and custodial fees as well as administrative expenses of the Program.

Services not Covered by the Program Fees. The Program fees do not include charges arising from retirement accounts fees, trust fees, exchange fees, transfer fees or other special service fees. For accounts with a margin debit, Davidson charges a fee on the gross value of securities in the account and the client also pays the margin interest on the debit balance in the account. In the accounts where custody of assets is with a firm other than Davidson, the client may pay other custody, brokerage and administrative fees.

Limited Negotiability of Advisory Fees. Although Davidson has established the aforementioned fee schedules, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the Advisory Agreement between the adviser and each

client.

Payments to Portfolio Managers. Davidson pays a portion of the fee received from the client to the Separate Account Manager, Model Provider, Outside Manager, Sub-Manager or Overlay Manager for that investment manager's services to the client in the SAM, MAC and UMA Programs. The fee is calculated on the gross market value of assets, or a portion of assets in the client's account managed by that particular investment manager. Although the amounts paid to the managers may be changed from time to time without notice to clients, such changes will not impact the fees paid by clients. The range of fees paid to the managers vary based on factors such as Program selected by client, investment strategy or style of manager, and size of the client's account. The manager fees generally range from .20% to .90% annually. As the portion of the fee paid to an investment manager increases, the portion of the fee received by Davidson and paid out to Davidson Financial Consultants decreases. Thus, Davidson and its Financial Consultants may have an incentive to recommend investment managers that are paid less than others, because they will receive a higher portion of the client's fee.

In addition, Davidson and its Financial Consultants may have an incentive to recommend an investment manager that is affiliated with Davidson because the entire client fee is retained by Davidson and its affiliate. The compensation Davidson Financial Consultants receive does not differ depending on whether Davidson or an affiliate acts as a manager. However, in providing investment advisory services to clients, Davidson and its Financial Consultants are required to act solely in the best interest of clients. For more specific information about these potential conflicts of interest and how Davidson addresses them, please see "Additional Information-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below

Householding Accounts for Purposes of Program Fees. Davidson offers a householding option that could reduce the above-referenced fees for clients with other advisory accounts held at Davidson. The gross market value of each advisory account the client has at Davidson may be eligible to be

aggregated for fee calculation purposes. The resulting increase in household gross market value may make the account, and all other advisory accounts, eligible for a reduced rate based on the fee schedules above. This option is not automatically applied, and is at the discretion of a Davidson Financial Consultant. Davidson is not responsible for identifying all accounts that may be eligible for householding.

Termination of the Advisory Relationship. If either Davidson or client terminates the client's Advisory Agreement or participation in a Program, 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.

Additional General Fee Information. The Program fees are negotiable in certain instances and may vary based upon a number of factors. 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 the Programs. Each Program 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.

Purchasing Like Services Outside of an Advisory Relationship. Each service provided to a client in connection with a particular Program may be available to a client, separately, outside of the Programs. Clients are cautioned that depending on factors such as the level of fees charged by the executing broker-dealer, the amount of trading activity in the client's account, the size of the client's account, the investment strategies and level of service sought by the client, the value of the services provided under the Programs may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other firms who offer comparable advisory

programs.

Other Fees and Expenses. In addition to the Program fees described above, a client may incur other fees and expenses related to the management and service of their account. A client is responsible for certain fees and expenses related to odd-lot differential, SEC exchange fees, electronic fund and wire transfer fees, margin interest, transfer taxes, certain fees in connection with the establishment or administration or termination of retirement or profit sharing plans or trust accounting, or other costs or fees managed by law or regulation. In connection with the purchase of certain types of securities (such as securities traded over-the-counter and fixed income securities), client may indirectly bear the cost of mark-ups, mark-downs and spreads charged by market makers because such costs are inherently reflected in the price the client pays or receives for such securities.

All fees paid to Davidson for investment advisory services are separate and distinct from the fees and expenses charged by client's assets invested in bank deposit accounts, money market funds, mutual funds, exchange traded funds, registered investment companies, hedge funds, private investment partnerships and other investment pools. These fees and expenses are described in each fund's prospectus or offering document and will be borne directly or indirectly by their shareholders. These fees will generally include a management fee, other fund expenses, and a possible distribution (12b-1) fee. If Davidson receives a 12b-1 fee, Davidson will pass through to client in all advisory accounts. As a result of making investments in these types of securities, a client is essentially paying multiple layers of fees and expenses on the assets invested. A client is also responsible for any redemption fees the fund company may impose that they deem to be associated with frequent trading.

Compensation Received by Davidson and Davidson Financial Consultants. The Davidson employee, in most cases a Davidson Financial Consultant, who recommends a client participate in an advisory Program, will receive compensation as a result of that recommendation. The amount of compensation received is based upon the client's

fee. The amount of compensation received may be more or less than the amount of compensation the individual would receive if the client participated in another advisory Program, or paid separately for similar advice and services outside of the advisory relationship. Accordingly, the Davidson employee may have an incentive to recommend one advisory Program over another or over other non-advisory Programs and services offered by Davidson.

Item 5 Account Requirements and Types of Clients

MINIMUM ACCOUNT REQUIREMENTS

Participation in the Programs is subject to certain minimum account requirements. Minimum account sizes vary across Programs. Davidson sets a \$25,000 minimum for account assets in MFP and RMS, except the minimum for the MFP Elite models is \$100,000. Generally, in the SAM and MAC Programs a client must have a minimum of \$100,000 of assets under management. A few investment managers may have higher or lower minimum account size requirements. The UMA Program minimum is \$250,000 while the Russell UMA option is \$1,000,000 for the Tax Managed Series I and \$1,500,000 for Tax Managed Series II and Tax Qualified Series I. The Choice and Paragon Programs minimums are \$50,000 except for accounts that only hold mutual funds or ETFs the minimum is \$25,000. The account size minimums may be negotiable under certain circumstances. At its discretion, Davidson may group certain related client accounts for the purposes of achieving the minimum account size.

TYPES OF CLIENTS

Davidson offers the Programs to all types of clients including but not limited to: individuals; high net worth individuals; pension and profit sharing plans; trusts; estates; corporations or other businesses; charitable organizations; state or municipal government entities; partnerships; limited liability entities; or foundations and endowments.

Item 6 Portfolio Manager Selection and Evaluation

The persons providing portfolio management

services and the process for selection and evaluation of the Portfolio Managers vary by Program. In general, the department which sponsors Davidson's advisory Programs ("Managed Assets Department") employs a Director of Managed Assets Research ("Director of Research") who oversees all investment-related matters, with the exception of the Paragon and Choice Programs. The Managed Assets Department has engaged an Investment Committee ("the Committee"), comprised of senior investment professionals at Davidson with varying areas of expertise, to oversee the standards of the Programs and provide broad investment oversight, with the exception of Choice and Paragon. The Director of Research presents to the Committee, on a quarterly basis, Program updates including performance information. The Director of Research also makes recommendations to the Committee regarding potential investment changes, including the hiring and firing of managers, fund and asset allocation changes, etc., across applicable Programs. The Committee meetings typically include broad discussions on the capital markets, current and projected economic conditions and a review of the recommendations from the Director of Research. The Committee will generally vote to approve or reject a recommendation made based on the collective views of the group and outcome of the discussion. While the intent of the Committee is to provide broad investment oversight, the Committee is not responsible for reviewing all recommendations, nor is the Director of Research responsible for seeking approval on all changes applied across applicable Programs. The day-to-day responsibilities of the MFP, RMS, SAM, MAC, and UMA Programs, including the specific implementation of a recommendation approved by the Committee, are delegated to Director of Research and other Davidson professionals.

Davidson Financial Consultants typically provide investment advice and recommendations in applicable advisory Programs. Other related portfolio management services may also be provided by Managed Assets Investment professionals. Davidson requires its associates meet all applicable standards set forth by self-regulatory organizations, including completion of either the Series 65 or Series 66.

MANAGED FUNDS PORTFOLIOS (MFP)

The Director of Research serves as Portfolio Manager in the MFP Program, and is responsible for asset allocation decisions, investment selection decisions and continued due diligence and evaluation of the MFP models.

Methods of Analysis. In selecting mutual funds, ETFs and ETNs for inclusion in the MFP models, the Portfolio Manager utilizes both qualitative and quantitative measures to evaluate the investments. The initial screening process typically follows 1) a general quantitative screen of applicable universe (on factors such as operational qualities, portfolio composition, volatility/performance, and tax efficiency) 2) fundamental research (on characteristics over time, versus benchmark and versus peers) 3) due diligence (on people, philosophy, firm, process) 4) selection of investment. Criteria for replacement of an investment in the MFP models generally include but are not limited to factors such as fundamental changes in the operations of the manager, turnover in key personnel, changes in management or ownership structure, significant drift from stated objectives, philosophy or style, prolonged underperformance in relation to peers, or any other adverse changes that Davidson deems warranted as a cause for removal or replacement, including replacement for more attractive investment opportunities.

Investment Strategies. The investment models available in the MFP Program include the following:

a. Classic Portfolio. Classic Portfolios invest in mutual funds designed to match the client's asset allocation and investment objectives. Davidson offers five selections under the Classic Portfolio, in which Davidson Financial Consultants recommend a desired asset allocation for the client, and a corresponding Portfolio, based on the needs, financial situation and objectives identified in the Questionnaire. The five selections comprise the following: All Equity, Capital Appreciation, Balanced, Balanced 50/50, Conservative Balanced, and Income.

b. Focus Portfolio. Davidson offers five Focus Portfolios, each containing funds invested in specific asset classes. The client is availed of

distinct exposure to a desired sector of the market. The use of multiple funds, based on various investment styles, may reduce the risks inherent in any single fund investment. Additional diversification is achieved in each Portfolio by incorporating various sub-styles where applicable (ex. value and growth styles) in an appropriate strategic mix. Following are the Focus Portfolios:

i. Large Cap Portfolio. Selected mutual funds invested primarily in securities of large United States companies with market capitalizations generally exceeding \$10 billion. The Portfolio contains a diversified blend of value and growth funds, rebalanced periodically in response to market conditions.

ii. Small Cap Portfolio. Selected mutual funds invested primarily in securities of United States companies with market capitalizations generally below \$1.5 billion. The Portfolio contains a diversified blend of value and growth funds, rebalanced periodically in response to market conditions.

iii. International Portfolio. Selected mutual funds invested in securities issued outside the United States. The Portfolio contains a diversified blend of value and growth funds with large cap, mid cap and small cap emphases, rebalanced periodically in response to market conditions.

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

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

c. Index-Based Portfolio. The Index-Based Portfolio is a managed portfolio using exchange-traded funds designed to match the client's asset allocation and investment objectives. Davidson offers four strategies under this arrangement: All Equity, Capital Appreciation, Balanced, and Conservative Balanced.

d. Elite Portfolio. Elite Portfolios are managed mutual fund and exchange traded fund portfolios designed to match Client's desired asset allocation and investment objectives. Elite Portfolios are offered to investors who desire a higher degree of asset class exposure and additional diversification, as compared to other MFP portfolios. Davidson offers nineteen Elite Portfolios, five under each of the three model iterations: regular Elite, Elite Tax-Aware and Elite Manager Core, and four under the Elite Multi-Strategy, in which Davidson recommends a desired asset allocation for Client, and a corresponding Portfolio selection based on the needs and objectives identified in Client's Questionnaire.

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

The Elite Tax-Aware Portfolio selections consist of the following: Elite Tax-Aware All Equity, Elite Tax-Aware Capital Appreciation, Elite Tax-Aware Balanced, Elite Tax-Aware Balanced 50/50, Elite Tax-Aware Conservative Balanced, and Elite Tax-Aware Income. ERISA and IRA accounts may not be part of an Elite Tax-Aware portfolio. While the Elite Tax-Aware portfolios will be managed with sensitivity to taxes, it is important to note that the primary objective of the Elite Tax-Aware portfolios is risk-adjusted returns. The Elite Tax-Aware portfolios cannot entirely avoid the realization of capital gains. Capital gains could be realized when

investments are sold, when portfolios are rebalanced, when mutual funds and exchange traded funds held in the Elite Tax-Aware portfolios distribute capital gains, both short- and long-term, and when Client requests distributions or withdrawals.

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

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

RUSSELL MODEL STRATEGIES (RMS)

Methods of Analysis. In the RMS program, asset allocation and investment selection decisions are determined by Russell and implemented by Davidson. The RMS models exclusively contain Russell mutual funds. Russell employs a "multi-manager, multi-style" approach to investing whereby the assets of Russell funds are allocated to different money managers who employ distinct investment strategies for the funds. Russell has the right to engage or terminate a money manager at

any time. These money managers may or may not be affiliated with Russell Investment Management Company, an affiliate of Russell Investment Group. For more information on the underlying funds in RMS models, clients should review the applicable Russell Fund prospectuses.

Manager research is the core of Russell's investment process. Russell's manager research emphasizes both a qualitative (organization, ownership, people and investment process) and a quantitative (performance and investment profile) analysis to conduct comprehensive evaluations. Based on qualitative and quantitative assessments gained from multiple meetings, Russell establishes an overall opinion of the organization/product. In addition to these generic factors, Russell has identified a number of proprietary attributes they believe are unique to given styles of management, and thus take into consideration when evaluating a manager. Russell manager research professionals are assigned to groups that research managers within a particular asset class, and are charged with making relative assessments of managers in their respective styles.

Managers are selected in various asset classes to complement one another based on investment style and process. Industry experience, track record and consistency of investment process are also key elements in the selection process.

Russell's ongoing due diligence includes performance and portfolio monitoring and monthly interaction with each manager. Russell also performs annual on-site due diligence visits by both Russell investment personnel and Russell compliance and legal personnel.

The Director of Research, other Managed Assets Research professionals, and the Investment Committee are responsible for due diligence and investment oversight of the Russell Model Strategies portfolios.

Investment Strategies. The investment models available in the RMS Program include the following:

a. Core Model Strategies: The Core Model Strategies invest in managed mutual funds designed to match the client's desired asset allocation and investment objectives. Davidson offers five selections under the Core Model

Strategies, in which client's Davidson Financial Consultant recommends a desired asset allocation for the client, and a corresponding portfolio, based on the needs, financial situation and objectives identified in the Questionnaire. The Core Portfolio selections consist of the following: Equity Growth, Growth, Balanced, Moderate and Conservative.

b. Tax-Managed Model Strategies: Tax-Managed Model Strategies generally reflect the allocations of the Core Model Strategies, but are managed with sensitivity to taxes. It is important to note that the objective of the Tax-Managed portfolios is risk-adjusted returns primarily, and tax efficiency secondarily. The Tax-Managed portfolios cannot entirely avoid the realization of capital gains. Tax liability generated by the underlying investments and/or management of the strategic allocation will not be eliminated entirely. The Tax-Managed Portfolio selections consist of the following: Equity Growth, Growth, Balanced, Moderate and Conservative. ERISA and IRA accounts do not qualify for a Tax-Managed portfolio.

SEPARATE ACCOUNT MANAGEMENT (SAM)

The Director of Research and other Managed Assets Department Research professionals are responsible for selecting and evaluating investment managers in the SAM Program.

Methods of Analysis. A variety of quantitative and qualitative measures are utilized. The quantitative screening process involves defining the manager's asset class and management style, evaluating the manager on various returns-based parameters, and applying proprietary research preferences as to certain qualitative factors such as consistency of style, tax efficiency/sensitivity, quality of people, process, firm, and other operational, legal and business functions of the manager.

The Managed Assets Department Research team provides ongoing due diligence and monitoring of the managers in the Program, and will often engage outside data providers and software tools to assist in initial and ongoing evaluation. A manager may be placed on "Watch List" status if material adverse changes occur, which are typically short-term in nature, such as changes in ownership structure, key investment personnel turnover, extreme performance that may be indicative of

style drift or breakdown in investment processes, prolonged periods of underperformance relative to benchmark and/or category peers. Generally, a manager who is on Watch List status for more than three consecutive quarters will be either 1) moved back to recommended status if Research Team deems prudent, or 2) terminated.

Investment Strategies. The investment managers offered may have varying investment objectives, styles, and strategies and they may also employ varying types of securities to achieve those objectives. In addition, an investment manager's strategy may change in response to market conditions. Clients should review the manager's Brochure for a detailed description on the investment strategy employed.

MANAGED ACCOUNT CONSULTING (MAC)

Clients participating in the MAC Program should understand that investment managers available are generally not recommended by Davidson. Clients are solely responsible for the appointment and continued retention of managers in the Program. Davidson provides limited initial and ongoing due diligence of outside managers allowed participation in the Program and does not assume responsibility for the performance of the outside manager selected by the client. Before accepting an account, Davidson will typically run the manager through a basic quantitative screen, the outcome of which will be a key determination if Davidson will allow the manager participation in the Program. The client's Financial Consultant may provide advice about the manager selected, but Davidson has no obligation to do so.

Investment Strategies. The investment managers in the MAC Program have varying investment objectives, styles, and strategies and they may also employ varying types of securities to achieve those objectives. In addition, an investment manager's strategy may change in response to market conditions. Clients should review the manager's Brochure in its entirety before investing.

UNIFIED MANAGED ACCOUNT (UMA)

The Director of Research and other Managed Assets Department Research professionals are primarily responsible for selecting and evaluating

investment managers, mutual funds, ETFs and ETNs available in the traditional UMA Program. They also provide due diligence and investment oversight on the Russell UMA and Russell SMA model portfolios.

Methods of Analysis. In the traditional UMA Program (i.e. excluding the Russell UMA and SMA model portfolios), a variety of quantitative and qualitative measures are utilized. The quantitative screening process involves defining the managers asset class and management style, evaluating the manager on various returns-based parameters, and applying proprietary research preferences as to certain qualitative factors such as consistency of style, tax efficiency/sensitivity, quality of people, process, firm, and other operational, legal and business functions of the manager.

The Managed Assets Department Research team provides ongoing due diligence and monitoring of the managers in the Program, and will often engage outside data providers and software tools to assist in initial and ongoing evaluation. A manager may be placed on "Watch List" status if material adverse changes occur, which are typically short-term in nature, such as changes in ownership structure, key investment personnel turnover, extreme performance that may be indicative of style drift or breakdown in investment processes, prolonged periods of underperformance relative to benchmark and/or category peers. Generally, a manager who is on Watch List status for more than three consecutive quarters will be either 1) moved back to recommended status if Research Team deems prudent, or 2) terminated.

Davidson maintains a list of available investment options in the traditional UMA Program. Davidson conducts due diligence on the Sub-Managers while mutual funds, exchanged traded funds and exchange traded notes are selected from Davidson's Supervised Mutual Fund and ETF Recommended List.

Investment Strategies. The investments available in the traditional UMA Program have varying investment objectives, styles, and strategies and they may also employ varying types of securities to achieve those objectives. In addition, an investment manager's strategy may change in response to market conditions. Clients should

review applicable Sub-Manager's Brochure and fund prospectus for a detailed description on the investment strategies employed.

Russell SMA and UMA Methods of Analysis. For the Russell SMA and UMA model portfolios, asset allocation and investment selection decisions are determined by Russell and implemented by the Overlay Manager. Russell employs a "multi-manager, multi-style" approach to investing whereby assets are allocated to different money managers who employ distinct investment strategies. Russell has the right to engage or terminate a money manager at any time. These money managers may or may not be affiliated with Russell Investment Management Company, an affiliate of Russell Investment Group.

Manager research is the core of Russell's investment process. Russell's manager research emphasizes both a qualitative (organization, ownership, people and investment process) and a quantitative (performance and investment profile) analysis to conduct comprehensive evaluations. Based on qualitative and quantitative assessments gained from multiple meetings, Russell establishes an overall opinion of the organization/product. In addition to these generic factors, Russell has identified a number of proprietary attributes they believe are unique to given styles of management, and thus take into consideration when evaluating a manager. Russell manager research professionals are assigned to groups that research managers within a particular asset class, and are charged with making relative assessments of managers in their respective styles.

Managers are selected in various asset classes to complement one another based on investment style and process. Industry experience, track record and consistency of investment process are also key elements in the selection process.

Russell's ongoing due diligence includes performance and portfolio monitoring and monthly interaction with each manager. Russell also performs annual on-site due diligence visits by both Russell investment personnel and Russell compliance and legal personnel.

Russell SMA and UMA Investment Strategies. For the Russell UMA option, the client can choose the

Russell Separate Account option which offers five U.S. equity multi-manager mixes: Large Cap Growth mix, Large Cap Value mix, Small Cap mix, Large Cap mix, and Broad Cap mix. The other option is Russell Unified Managed Accounts which combines Russell Separate Accounts and Russell mutual funds in strategic asset-allocation portfolios designed for tax-managed solutions and asset class diversification. Russell offers three series of Unified Managed Accounts: Tax-Managed Series I featuring the Large Cap Russell Separate Accounts mix, the Tax-Managed Series II featuring the Broad Cap Russell Separate Accounts mix and the Tax-Qualified Series I featuring the Large Cap Russell Separate Accounts mix. ERISA/IRA Accounts cannot invest in the Tax-Managed Series I or II UMA models.

PARAGON

In order to participate in the Paragon Program, Davidson Financial Consultants serving as Portfolio Managers must meet a variety of requirements including minimum tenure, educational standards and annual continuing education. Approval of Paragon Managers is conducted by Davidson management professionals. Occasionally, on a case-by-case basis, requirements for participation may be modified or waived.

Methods of Analysis. Paragon Managers, as a group, utilize a wide variety of investment philosophies, strategies, techniques and methods of analysis, which may change depending, among other things, on changes in market conditions. Some Paragon Managers have model portfolios and distinct strategies while others use a more customized approach to implementation of client assets. As a group, Paragon Managers may seek varying objectives for client accounts, such as aggressive growth of capital, moderate growth of capital, preservation of capital, etc., and may also focus on certain market capitalizations (such as large caps or small caps), investment styles (such as growth, value or core) or certain types of securities (such as stocks, bonds or mutual funds) to achieve those objectives. Some managers specialize in certain areas of the aforementioned and may implement a client's account in a more concentrated fashion, while some managers may utilize broad principles of diversification. Some

manager may use leverage, including margin, if directed by the client.

The specific investment objectives and implementation of objectives is determined between the client and Paragon Manager directly. The client should ask their Paragon Manager for information about their investment strategies, philosophies, methods of analysis and investing techniques that may be used in the management of their account.

Ineligible Securities. Generally, the following types of assets or transactions may not be held or traded in the Account, although this list may not be exhaustive:

- Short sales are prohibited;
- Margin is not allowed as an investment strategy by Financial Consultants. The use of margin should be “client-driven”;
- All option strategies are prohibited except covered calls and protective puts are allowed in proportion to the underlying equity position; ETFs are allowed as a protective put versus a diversified portfolio;
- All factorable securities (e.g. CMOs, GNMA)s are prohibited as well as other structured products. Generally the only allowable individual fixed income securities are investment grade securities (Agency only);
- Annuities are prohibited;
- Class B and C shares (or comparable shares classes) are prohibited; and
- Alternative Investments including managed futures (except firm-approved fee-based share classes), private placements, shares in limited partnerships, non-registered, and non-traded securities or infrequently priced securities are prohibited. Alternative investments in registered SEC 1940 Act mutual funds are acceptable.

CHOICE

In order to offer advisory services in the Choice Program, a Davidson Financial Consultant must meet certain minimum standards for participation set forth and determined by Davidson. Approval to participate is conducted by Davidson management professionals. Occasionally, on a case-by-case basis, requirements for participation may be

modified or waived.

Methods of Analysis. In Choice, a Davidson Financial Consultant advises the client on an appropriate investment strategy, which includes security selection and general asset allocation, and may include advice on financial planning and other wealth management topics. Davidson Financial Consultants participating in Choice, as a group, utilize a wide variety of investment philosophies, strategies, techniques and methods of analysis, which may change depending, among other things, on changes in market conditions. Since Choice is non-discretionary and client is ultimately responsible for the actual implementation of their assets, Financial Consultants generally use a customized approach to recommendations depending upon the client’s investment circumstances. In making recommendations to Choice clients, Davidson Financial Consultants may recommend varying objectives, such as aggressive growth of capital, moderate growth of capital, preservation of capital, etc., and may also focus on certain market capitalizations (such as large caps or small caps), invest styles (such as growth, value or core) or certain types of securities (such as stocks, bonds or mutual funds) to achieve those objectives. Some Davidson Financial Consultants specialize in certain areas of the aforementioned and may recommend client’s invest their assets in a more concentrated fashion, while some Davidson Financial Consultants may utilize and recommend broad principles of diversification. The use of leverage, including margin, may be used if directed by the client.

Davidson Financial Consultants who do not meet minimum tenure requirements, may be approved to participate in Choice, however, their security recommendations are limited to certain research lists covered by Davidson.

The client should ask their Davidson Financial Consultant for information about their investment strategies, philosophies, methods of analysis and investing techniques that may be used in formulating recommendations to client, bearing in mind, the client has sole discretion, and makes the final decision whether to accept or reject an investment strategy or any specific recommendation to purchase or sell securities.

Eligible Securities. Generally, the following types of assets may be held or traded in the Account, although this list may not be exhaustive: common or preferred stocks listed on a domestic exchange; listed American Depositary Receipts (ADRs); certain open and closed-end mutual funds; options (covered calls and protective puts are allowed in proportion to underlying equity position); in certain instances short puts; exchange traded funds (ETFs); unit investment trusts (UITs); certificates of deposit (CDs); U.S. Government and government agency bonds; mortgage backed and municipal bonds; corporate bonds; and cash and cash equivalents (e.g., money market funds, bank deposit programs, and other short-term fixed income securities).

Ineligible Securities. Generally, the following assets may not be held or traded in the Account, although this list may not be exhaustive: insurance annuities; individual foreign securities not listed on a domestic exchange; limited partnership interests or units; precious metals or other commodities or futures thereon; options on futures, currency options; foreign currency; commercial paper; open-end mutual fund shares such as Class B or Class C shares (or equivalent share classes); unlisted OTC Bulletin Board stocks; reverse convertibles, unlisted Pink Sheet stocks; and uncovered or “naked” option contracts. All managed futures funds, with the exception of fee-based share classes in firm-approved funds, are ineligible.

CALCULATION AND REVIEW OF PERFORMANCE

Performance for Client Presentation Purposes. In the MFP program, Davidson calculates performance of certain portfolio models. Davidson uses composites of client accounts to calculate the Portfolio Manager’s performance. A composite is an aggregation of Davidson client accounts managed by the Portfolio Manager within the same model. Calculations are based on standards drawn from industry sources. Performance is currently calculated by taking into account a time-weighted rate of return. Market indices or other benchmarks are shown for comparison purposes only.

In the SAM, MAC, UMA, Paragon and Choice Programs, and for other MFP models where Davidson does not calculate performance,

Davidson obtains performance information from third-party data providers. Davidson believes this information to be reliable however; Davidson does not review performance information submitted by third-party providers or verify its accuracy or compliance with presentation standards. Davidson does not guarantee the accuracy of performance information provided by any external source, and manager performance may not be calculated on a uniform consistent basis.

Davidson will republish presentation material if Davidson discovers or is informed there are revisions to performance data.

PORTFOLIO MANAGEMENT BY RELATED PERSONS

Under the SAM program, certain assets may be managed by Davidson or a Davidson affiliate. Portfolio Management services under Davidson Investment Advisors and the Davidson Individual Investor Group Research models create a potential conflict of interest. Davidson and its Financial Consultants may have an incentive to recommend an investment manager that is affiliated with Davidson because the entire client fee is retained by Davidson and its affiliates, therefore Davidson and its affiliates may receive a higher total compensation than if client selected a third-party or non-affiliated manager. However, in providing investment advisory services to clients, Davidson and its Financial Consultants are required to act solely in the best interest of clients. For more specific information about these potential conflicts of interest and how Davidson addresses them, please see “Additional Information-Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below.

Affiliated managers are subject to the same selection and ongoing review process as unaffiliated managers.

ADVISORY BUSINESS

In relation to its advisory services, Davidson considers every client situation individually, based on responses provided in client’s Questionnaire. Not every Program may be suitable for a client or their specific investment circumstances. Clients may impose reasonable investment restrictions on

the management of their accounts. Please refer to Item 4. Additional Information – Client-Directed Investment Restrictions for further details.

PERFORMANCE-BASED FEES

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

RISK OF LOSS

Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. All 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.

The following is not an exhaustive list that describes specific risks associated with each type of analysis:

Fundamental Analysis. 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.

Technical Analysis. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security. The risk is our overall measurement may be incorrect.

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

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

incorrect.

Asset Allocation. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

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

VOTING CLIENT SECURITIES

For all advisory Programs, each client retains the rights to vote proxies with respect to the securities held in his or her accounts.

Davidson does not vote securities on behalf of clients in the UMA Program, including the Russell option, the SAM Program (except for model accounts) and the Choice Program. The sub-advisers in the SAM Program retain the right to vote proxies. Clients in the MAC program may retain the responsibility to vote proxies depending on the agreement with the outside manager. In these Programs, client is responsible for voting proxies and otherwise addressing all matters submitted for considerations by security holders, and Davidson is under no obligation to take any action or render any advice regarding such matters.

Davidson does vote securities on behalf of its clients in the MFP, Russell, SAM Models and Paragon Programs. Clients may retain the right to vote proxies with respect to the securities held in the client's account, or client may delegate such right to Davidson. If a client delegates that right to Davidson, Davidson will vote proxies in accordance with established policies and procedures.

D.A. 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 D.A. Davidson and other Davidson Companies' subsidiaries, meets periodically. The Committee monitors D.A. 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.dadavidson.com, at the bottom of the first page or a copy of the policies can be mailed, free of charge, at client's request to the following address: D.A. Davidson & Co. Attention: 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 Financial Consultant 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 7 Client Information Provided to Financial Consultants and Portfolio Managers

Davidson Financial Consultants are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, the Financial Consultant obtains from the client appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). This information is captured on Davidson's Questionnaire. Initial investment strategy is jointly determined based on an assessment of the information provided by the client.

While Davidson provides the client with periodic reminders, it is ultimately the client's responsibility to advise Davidson of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy or objectives. Neither Davidson nor any third party investment manager is responsible for independently verifying information or data provided in client's initial or subsequent updates to Questionnaire, nor is Davidson or any third party manager responsible for any adverse consequences arising out of client's failure to promptly notify the aforementioned parties. Client understands that the integrity and quality of the respective investment management services to be rendered by Davidson or third party manager are dependent upon the accuracy of the data and information supplied by Client in the Questionnaire.

A Davidson Financial Consultant will directly contact each wrap fee program client at least annually to verify that there has been no change in the client's financial circumstances or investment objectives, and determine whether the client wishes to impose or change any reasonable restrictions on the management of the account. Davidson will promptly act on, or communicate any reported changes to the appropriate investment manager, depending on the Program.

Item 8 Client Contact with Portfolio Managers

Davidson does not place any restrictions on clients who wish to contact or consult with Portfolio Managers managing their accounts. Davidson encourages clients to discuss their accounts with their Davidson Financial Consultant. Typically, the Davidson Financial Consultant serves as the communication conduit between the client and the manager.

Item 9 Additional Information

DISCIPLINARY INFORMATION

Davidson is 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.

In April 2010, 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 Davidson's databases, which occurred at the end of 2007. Davidson was censured and fined \$375,000.

In April 2009, Davidson, without admitting or denying the allegations, consented to the findings of FINRA that Davidson failed to report accurate trading information through the submission of electronic blue sheets in response to request for such information by FINRA during the period from January 1, 2005 to August 1, 2005; by failing in some instances to include the correct buy, sale, or short sale indicator for electronic blue sheet records. Davidson was censured and fined \$40,000.

In June 2004, Davidson without admitting or denying the allegations, consented to the findings of the National Association of Securities Dealers, Inc. ("NASD"), renamed FINRA in 2007 that it failed

to establish, maintain or enforce supervisory systems and written procedures reasonably designed to prevent and detect late trading; failed to create and maintain records reflecting the time of receipt of orders to purchase or sell mutual fund shares; and failed to retain the records relating to the time of order of entry of mutual fund shares for the required three years. Davidson was fined \$150,000.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

D. A. Davidson is a wholly owned subsidiary of Davidson Companies, a financial services holding company. Davidson Companies' other subsidiaries are Davidson Investment Advisors, Inc. and Davidson Fixed Income Management, Inc., both federally registered investment advisers, and Davidson Trust Co., a federally chartered savings bank.

D.A. Davidson is a federally registered investment adviser as well as a FINRA registered broker-dealer. D.A. Davidson is also registered as an Introducing Broker with the National Futures Association. D.A. Davidson employees engaged in the managed futures business, or supervising that business, are licensed accordingly.

D.A. Davidson employees engaged in the advisory business are registered as investment adviser representatives in their various states. Many D.A. Davidson employees engaged in the advisory business are also registered representatives of D.A. Davidson in its capacity as a broker-dealer.

D.A. Davidson is an affiliate of Davidson Investment Advisors. The President of Davidson Investment Advisors is also a registered representative of D.A. Davidson. In certain circumstances, he may have an incentive to refer a potential DIA customer to D.A. Davidson, or vice versa.

D.A. Davidson Financial Consultants may from time to time refer clients to its affiliate, Davidson Investment Advisors, in its capacities as an independent investment adviser and as an investment adviser in D.A. Davidson advisory programs. The Financial Consultants have an incentive to make these referrals, because

Davidson Investment Advisors pays a referral fee to D.A. Davidson, part of which is paid to its Financial Consultants. Nevertheless, when Davidson Investment Advisors serves as an investment adviser to a client referred from D.A. Davidson, the total fee to the client will be equal to or less than when a third party manager manages the account or a portion of the account.

D.A. Davidson is an affiliate of Davidson Trust Co. In that capacity, it pays referral fees to Davidson Trust Co. and its Trust Officers for referring customers to D.A. Davidson. Additionally, D.A. Davidson Paragon Portfolio Managers manage accounts over which Davidson Trust Co. has investment discretion, which it delegates to D.A. Davidson.

From time to time, Davidson and its Financial Consultants may recommend that clients invest with an affiliated advisor or investment products that are affiliated with Davidson. Such recommendation of affiliated advisors or investment products creates a potential conflict of interest. However, as fiduciaries, Davidson and its Financial Consultants will select or recommend affiliated investment products only when they determine it to be in the client's best interest to do so. This criteria used by them in deciding to select or recommend affiliated investment products are the same as those used for unaffiliated investment products.

Affiliated Mutual Funds. Davidson Investment Advisers, Inc. ("DIA") is the investment adviser to Davidson Mutual Funds, an investment company registered under the Investment Company Act of 1940. U.S. Bancorp Fund Services, LLC acts as the Fund's administrator and provides fund accounting and transfer agency services. D.A. Davidson sells these funds to its brokerage and certain advisory (as described below) clients. The compensation that Davidson and its Financial Consultants receive from selling shares of the Funds is set forth in the prospectuses relating to the Funds and is similar to what it may receive from sales of mutual funds managed by non-affiliated investment advisers.

D.A. Davidson may purchase or recommend the purchase of Davidson Mutual Funds in your Paragon and Choice advisory accounts. You will be

charged no fee or load. Any purchase will be made at Net Asset Value. When Davidson Mutual Funds are held in your advisory account, you will pay a fee from your advisory account based on the market value of assets which will include the fair market value of the Fund shares held in your account. The Funds will pay 12b-1 marketing and distribution fees to D.A. Davidson but D.A. Davidson rebates those fees directly to your account holding the Fund shares. D.A. Davidson provides no financial or other incentive for your D.A. Davidson Financial Consultant to favor the Davidson Mutual Funds over other unaffiliated mutual funds.

DIA receives fees for advising the Davidson Mutual Funds. Those fees are based on the amount of assets held in the Funds, which increases with any new purchases of shares. The fee arrangement for DIA advisory services is disclosed in each Fund's prospectus. As a mutual fund shareholder, you pay indirectly a portion of the ongoing expenses of the Funds. These expenses include the DIA advisory fee, all 12b-1 fees, not just those paid and rebated to your account by D.A. Davidson, and all other ongoing fees incurred in the administration of the Funds.

For additional information about the Davidson Mutual Funds, a Prospectus and Statement of Additional Information are available on-line at: davidsonmutualfunds.com. Prospective investors should review these documents carefully before making any investment in the funds.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics. Davidson has adopted a Code of Ethics which sets forth the ethical standards of business conduct required of its employees, including compliance with applicable federal securities laws.

Davidson's Code of Ethics establishes rules of conduct for all Davidson employees working in the investment adviser area and is designed to, among other things; govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Davidson and its employees owe a fiduciary duty to Davidson's advisory clients, to conduct their affairs, including

personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients; (ii) taking inappropriate advantage of their position with the firm and (iii) any actual conflicts of interest or any abuse of their position of trust and responsibility. Financial Consultants who have discretion over client accounts cannot trade in the same security as clients during the same 24 hour period unless the Financial Consultant's account is managed in the same manner as other client accounts and does not result in a more favorable price to the Financial Consultant.

You may request a copy of the Code by email at adv@dadco.com, or by calling the Compliance Department at 406-727-4200 or 800-332-5915.

DAVIDSON'S PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Principal Trading. Subject to the requirements of applicable law, Davidson may act as principal, buying securities for itself from, or selling securities it owns to an advisory client, but only on a case-by-case basis with advance written authorization for the client, and when it is in the best interest of a client to do so.

In addition to the advisory fee paid by a client, Davidson may realize profits from principal transactions with a client based on the difference between the price Davidson paid for the security and the price at which Davidson sold the security, which may include a markup or markdown from the prevailing market price, an underwriting fee, selling concession, or other incentive to execute the transaction. In trading as principal with a client, Davidson will have potentially conflicting division of loyalties and responsibilities regarding Davidson's own interests and the interests of the client. This profit potential may give Davidson an incentive to recommend a transaction in which Davidson acts as principal. Nonetheless, Davidson has a fiduciary duty to act in the best interest of clients and to obtain best execution for its advisory clients. Furthermore, Davidson has adopted internal procedures designed to ensure that Davidson will not act in a principal capacity for any transaction in an advisory client's account, absent disclosure of the transaction to the client, including all material

information regarding Davidson's or the client's Financial Consultant's interest in the transaction, and the client's prior written approval of the transaction or unless otherwise allowed by applicable law, and provided that such transaction is not otherwise prohibited by ERISA.

Agency Cross Transactions. Davidson policy generally prohibits agency cross transactions for advisory clients, but in rare exceptions may be granted. An "agency cross" transaction is a transaction in which Davidson acts as broker for the party or parties on both sides of the transaction. As compensation for its brokerage services, Davidson may receive compensation from parties on both sides of an agency cross transaction. Therefore, Davidson may have a conflicting division of loyalties and responsibilities. However, in all cases, Davidson will seek to obtain the best execution for each respective advisory client and will effect agency cross transactions only in accordance with the requirements of Rule 206(3)-2 under the Advisers Act. However, no cross transactions may be made in ERISA-covered or IRA advisory accounts.

Cross Trading. From time to time, when Davidson believes that each respective transaction is consistent with the client's best interest, such as when accounts are adjusting their respective durations, when one account is in a liquidation mode while another is in an accumulation mode, or for tax management purposes, Davidson, acting as investment manager, may cause (or in the case of non-discretionary accounts, recommend) the sale of securities from an advisory client's account while at or about the same time causing (or, in the case of non-discretionary accounts, recommending) the purchase of the same securities for the account of another advisory client. Such transactions may have the benefit of reducing transaction and market impact costs.

In such cases, because Davidson is acting as investment manager for both buyer and seller, Davidson is subject to potentially conflicting interests in causing (or recommending) the transactions. Also, because Davidson is acting as investment adviser for both buyer and seller, transaction prices may be determined more by reference to market information or dealer

indications for the securities involved, and less through the type of independent arms-length negotiation that might otherwise occur. In these transactions, Davidson seeks to obtain best execution for each respective advisory client and to ensure that each client receives fair and equitable treatment.

Block Transactions. Davidson may aggregate client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally. In the instances where there is a partial fill of a particular batched order, in the MFP and SAM program, random allocation is utilized. For partial fills of trades in the Paragon Program, the managers may use either random or pro rata allocation.

Cash Sweep Program. When Davidson acts as custodian for client assets, Davidson is primary cash sweep investment option for clients is the Bank Insured Deposit Program (the "BIDP"). Client assets in the BIDP are held by financial institutions and are FDIC insured in accordance with FDIC regulations. In addition to the BIDP, client's cash may be held in other cash management programs, including without limitation, the D.A. Davidson Cash Equivalent or Davidson Cash Equivalent Plus Shares Tax-Exempt Fund. Accounts that have selected the Davidson Cash Equivalent or Davidson Cash Equivalent Plus Shares Tax-Exempt Fund as their cash sweep options will not participate in the BIDP. Please refer to the "Terms and Conditions for D.A. Davidson & Co., Bank Insured Deposit Account," which is part of the D.A. Davidson Account Agreement signed by the client for a description of the terms and conditions of the BIDP. ERISA, IRA and certain other account types are eligible for the BIDP.

REVIEW OF ACCOUNTS

Client Account Review. Client accounts are monitored on an ongoing basis by the client's Financial Consultant and are subject to review by the Branch Office Manager. If a client receives quarterly performance reports, the client's Financial Consultant generally reviews the performance of the client's account at least

quarterly; otherwise the client's Financial Consultant generally reviews the performance of the client's account at least annually. The Davidson Branch Officer Manager (or his or her designee) responsible for supervising a client's Financial Consultant reviews a client's account's daily trading activity and also performs a quarterly review of his or her branch's Paragon and Choice accounts, focusing on clients' investment objectives and accounts' performance.

At least annually, Financial Consultants meet with the client (either in person or over the phone) to review and update, as necessary, the client's investment profile questionnaire. However, should there be any material change in the client's personal and/or financial situation, the client should immediately notify the Financial Consultant to determine whether any review and/or revision of the client's investment profile questionnaire is warranted.

Performance and Account Reports. Davidson generally provides reports to clients on the performance of their Program accounts on a quarterly basis, although performance reporting may not be available for account assets that are not custodied at Davidson. Client performance reports usually a portfolio valuation and typically show the asset allocation of the client's portfolio, changes in a client's portfolio, and account performance compared to a benchmark market index or indices (such as S&P 500® Index, or Barclays Aggregate Bond Index).

Market indices or other benchmark returns are shown for comparison purposes only. Performance returns reflect transactions costs, market appreciation or depreciation and the reinvestment of capital gains, dividends, interest and other income.

If Davidson provides transaction execution services to a client, the client will receive a monthly Davidson brokerage account statement when activity occurs during that month. A quarterly statement is provided if there has not been any intervening monthly activity. If account assets are not custodied at Davidson the client will receive a 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 discrepancies between the Davidson performance report and their custodians account statement, the client should notify their Davidson Financial Consultant immediately.

When preparing a client's account statements and performance reports, Davidson relies on third parties, such as third party quotation services and custodians when determining the value of account assets. Davidson 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.

CLIENT REFERRALS AND OTHER COMPENSATION

Client Referrals. Davidson has no unaffiliated solicitors at this time.

Davidson Financial Consultants are paid to refer clients to Davidson advisory programs described in this Wrap Fee Brochure. The advisory fees are divided among Davidson, the referring Financial Consultant, the Paragon Manager (if applicable) or the outside investment adviser (if applicable), depending on the advisory program.

In addition, Davidson Financial Consultants receive ongoing fees for referral of customers to Davidson Investment Advisors and to Davidson Trust Co. Under these arrangements, periodic DIA or DTC fees assessed to DIA or DTC customers are divided among DIA, D.A. Davidson and the referring D.A.

Davidson Financial Consultant; or for DTC, among DTC, D.A. Davidson, an outside manager (if any) and the referring D.A. Davidson Financial Consultant.

Some Paragon Managers serve as Portfolio Managers for Davidson Trust Co. client accounts. Davidson serves as broker and custodian for many Davidson Investment Advisors clients.

Other Compensation. D.A. Davidson receives compensation directly from mutual funds when providing sub-accounting and other related administration services with respect to each mutual fund position which is not related to assets held in a fund. Services include processing purchases, redemptions, and exchanges, dividend reinvestment, tax reporting and other record keeping services. Financial Consultants do not receive any portion of these fees received by D.A. Davidson.

Some mutual fund companies, whose funds are sold by Davidson to its advisory clients, assist Davidson in defraying the costs of its educational meetings. The funds may make sales and marketing presentations at these meetings. Some mutual fund companies sponsor due diligence trips for Davidson employees, at which the employees conduct due diligence investigations and attend presentations by the fund managers. Some mutual fund companies sponsor lunches and dinner for Davidson employees during due diligence trips.

FINANCIAL INFORMATION

As an advisory firm, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. D.A. Davidson & Co. has no such financial circumstances to report.

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.