



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

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

**D.A. Davidson & Co.  
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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.**

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

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

## Item 2      Material Changes

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

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## Item 4 Services, Fees and Compensation

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

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

### SCOPE OF SERVICES AND APPLICABLE STANDARDS

**Advisers Act Fiduciary Duty.** As a registered investment adviser D.A. Davidson is subject to a fiduciary duty under the Investment Advisers Act of 1940 (the "Advisers Act"). This means D.A. Davidson and D.A. Davidson's registered investment advisors (each, a "Financial Advisor," and collectively, "Financial Advisors") are required to act in client's best interest when recommending an advisory account and when managing client's Program account, pursuant to a duty of care and loyalty (referred to in this Brochure as the "Advisers Act Fiduciary Duty"). The duty of care requires, among other things, for D.A. Davidson and its Financial Advisors to ensure its recommendations to open, rollover or transfer assets to a Program account and its investment advice within the Program account are suitable based on the client's investment objectives, risk level, investment time horizon, financial information and other circumstances (collectively, client's "Investment Profile") or mandate. The duty of loyalty requires D.A. Davidson to eliminate or mitigate material conflicts of interest with clients, and to provide full and fair disclosure of such conflicts of interest. The duties also require D.A. Davidson to provide ongoing monitoring of Program accounts and its recommendations of Program accounts.

**DOL Fiduciary Duty.** When it comes to retirement and other qualified accounts, including employer-sponsored plans ("plans"), individual retirement accounts ("IRAs"), SEP IRAs, SIMPLE IRAs, Keogh plans, Coverdell educational savings accounts, and other similar accounts (collectively, "retirement accounts") our fiduciary status is highly technical and dependent on the particular services D.A. Davidson is providing. The Firm and its financial professionals are subject to an additional fiduciary obligation under Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or the Internal Revenue Code (the "Code"), which are laws governing retirement accounts (such fiduciary obligations referred to in this Brochure as the "DOL Fiduciary Duty"). These laws limit the types of products and services D.A. Davidson can offer and provide when the Firm acts as a fiduciary to client's retirement accounts, unless the Firm chooses to rely on a "prohibited transaction exemption," or "PTE".

To comply with the DOL Fiduciary Duty for recommendations of securities within clients' Program account, which are typically discretionary, D.A. Davidson relies on certain applicable Department of Labor Advisory Opinions. To comply with the DOL Fiduciary Duty for other types of recommendation the Firm makes, including recommending clients open, rollover or transfer assets to a Program account, change account types, and regarding the Program, portfolio and investment manager, the Firm currently relies on DOL Field Assistance Bulletin 2018-02, which allows D.A. Davidson and its financial professionals to earn variable compensation for such recommendations as long as they act in clients' best interest and not put their interest ahead of the client. Effective February 1, 2022, or such later date as the DOL Field Assistance Bulletin 2018-02 ceases to be in effect, D.A. Davidson will rely on Prohibited Transaction Exemption ("PTE") 2020-02, which also allows D.A. Davidson and its financial professionals to earn variable compensation for such recommendations. The way D.A. Davidson and its financial professionals earn money when providing certain types of investment recommendations creates some conflicts with client's interests, so they will operate under this PTE that requires them to act in client's best interest and not put their interest ahead of clients ("fiduciary acknowledgement"). Under the PTE, D.A. Davidson and its financial professionals must also:

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

This fiduciary acknowledgment does not create an ongoing duty to monitor clients' accounts (though advisory accounts are monitored pursuant to the terms of each Program) nor create or modify a contractual obligation, or fiduciary status or obligations under state law. This fiduciary acknowledgement does not apply to federal, state, local, non-US or other types of workplace employee benefit plans that are subject to laws other than ERISA or Section 4975 of the Code.

The above acknowledgement applies solely with respect to the following recommendations ("Covered Recommendations"), as may be applicable:

- Roll Out Recommendations. From time to time, the Firm in coordination with client's financial professional (and a centralized review team) will provide a written recommendation that client roll out assets from a plan to an IRA, from an IRA to a plan, or from a plan to a plan.
- Account Type Recommendations at Our Firm. From time to time, the Firm or client's financial professional will recommend that client open a brokerage or advisory IRA, transfer money between brokerage and advisory IRAs, or transfer money from one Program or portfolio to another within an advisory IRA. Under the Firm's Programs the financial professional may recommend that client engage the services of an investment manager for their advisory IRA, which may include one of D.A. Davidson's affiliates.
- Investment Recommendations in Brokerage Retirement Accounts. If client has a brokerage retirement account with D.A. Davidson, from time to time, the financial professional will recommend that client buy, sell, or hold securities or other investments for their brokerage retirement accounts. These investments may be bought and sold on an agency or principal basis.

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

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

***The Best Interest Standard and Reasonable Compensation.*** The best interest standard under both the Advisers Act Fiduciary Duty and the DOL Fiduciary Duty does not require that D.A. Davidson guarantee the performance of any investment or that client's investment objectives will be achieved. In addition, D.A. Davidson and its financial professionals may provide recommendations and take actions in connection with the accounts of other clients that may differ from the recommendations and services provided to client. There may be times when D.A. Davidson is legally prohibited from making a recommendation that may be otherwise considered to be in client's best interest, such as due to insider trading. Client understands any recommendations D.A. Davidson or its financial professionals make will reflect the information client provides to the Firm about their investment objectives, risk level, investment time horizon, financial information and other circumstances and D.A. Davidson will not be responsible for any information client omits or fails to provide, including changes thereto. D.A. Davidson and its financial professional's recommendations and

advice will also reflect any limitations client imposes, including through applicable investment restrictions and guidelines. Clients are responsible for notifying D.A. Davidson and their financial professionals if their investment objectives, risk tolerance and financial circumstances change. D.A. Davidson and its Financial Advisors will not be responsible for clients' decision to invest or transfer their IRA or employer sponsored retirement plan assets in a manner that is different from, or inconsistent with, D.A. Davidson's recommendations or other advice and guidance, and clients assume the risk of such decision, nor will D.A. Davidson or its financial professionals be responsible for clients' delay in implementing a recommendation.

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

## ASSETS UNDER MANAGEMENT

As of September 30, 2021, D.A. Davidson has approximately \$27,232,900,000 in regulatory assets under management for its Programs. Approximately \$23,578,000,000 of which was managed on a discretionary basis and \$3,654,900,000 of which is managed on a non-discretionary basis.

## PORTFOLIO MANAGEMENT SERVICES

D.A. Davidson sponsors various "wrap fee" Programs, which are described in detail in this Brochure. The term "wrap fee" means D.A. Davidson charges clients a single annual fee based on the market value of assets in the client's account. The wrap fee covers investment advice provided by D.A. Davidson's investment professionals and/or the client's Financial Advisor, portfolio management services, the execution of client transactions, custody services, account servicing, reporting, monitoring, rebalancing and other services. It also covers the additional fees paid to third-party model and investment managers utilized in the applicable Program, the Envestnet platform fee, and D.A. Davidson's costs for administering the Program.

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

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

Clients are encouraged to carefully consider the differences between brokerage and investment advisory services including D.A. Davidson's obligations, costs, and the need for the services provided. For additional information please review the Firm's Form Client Relationship Summary ("Form CRS"), which provides information about the differences between brokerage accounts and advisory accounts (including Program accounts). Generally, the Firm and its financial professionals have an incentive to recommend investment advisory accounts over brokerage accounts because the Firm and financial professional receive higher fees for advisory accounts than brokerage accounts, and higher fees for some Programs than others. The Firm requires its financial professionals to consider a number of factors, such as the type and level of services required and the expected trading frequency, before recommending an account type to a retail client. This is intended to help ensure that the Firm's account type recommendations to clients are reasonably

expected to be cost-effective choices in light of their investment services and needs. Additionally, the Firm does not impose requirements on how many accounts a financial professional must have that are brokerage accounts or advisory accounts, nor incentivize the decision through a different compensation grid.

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

D.A. Davidson has engaged Envestnet ("Envestnet") to provide investment sub-advisory services to be performed on client's account through their platform at the direction of D.A. Davidson, its Financial Advisors or a third party investment manager (depending on the Program selected) and pays Envestnet for these services. Detailed information regarding each of the Programs that utilize Envestnet is provided in this Brochure. Clients can find information about Envestnet through their disclosure brochure, which is provided when enrolling in the Programs that utilize Envestnet and is available by searching for Envestnet Asset Management at: <https://www.adviserinfo.sec.gov>.

**Program Enrollment.** Not all Programs, portfolios and investment managers (as applicable to the SAM, MAC and UMA Programs) are appropriate for each client. Each Program utilizes a different mix of securities among stocks, bonds, mutual funds, exchange traded funds, alternative investments and/or structured notes. Each Program is designed to meet differing investment needs and have different levels of services, administration, fees, and expenses. A Financial Advisor will work with clients to recommend a Program, portfolio and investment manager (as applicable to the SAM, MAC and UMA Programs) that is in the client's best interest under the Advisors Act Fiduciary Duty (and for plans and IRAs also under the DOL Fiduciary Duty) based on both the client's Investment Profile and other preference they have for the advisory account. Not every Financial Advisor can offer the Choice, UMA Discretion, Paragon or Paragon CWAM Programs. D.A. Davidson requires its Financial Advisors meet applicable standards set forth by self-regulatory organizations relating to licensing, registration, and continuing education, including successful completion of either the Series 65 or Series 66 and Series 7 exams, as well as internal education and Program requirements.

A Program recommendation or recommendation to change Programs is typically made for one or more of the following reasons: (1) Client has a financial profile (ex: net worth, investable assets, annual income), time horizon, risk profile, and/or objective that benefits from the Program; (2) Client is tax-sensitive and needs professional tax-management solution (not applicable for IRAs); or (3) Client's engagement level (i.e., desire and availability to be involved and informed on investment decisions) is supported by Program. A portfolio recommendation or recommendation to change portfolios is typically made for one or more of the following reasons: (1) Client has a financial profile (ex: net worth, investable assets, annual income), time horizon, risk profile, and/or objective that benefits from portfolio; (2) Client is tax-sensitive and needs professional tax-management solution (not applicable for IRAs). An investment manager recommendation or recommendation to change investment managers (as applicable to the SAM, MAC and UMA Programs) is typically made for one or more of the following reasons: (1) Client has a financial profile (ex: net worth, investable assets, annual income), time horizon, risk profile, and/or objective that benefits from the investment manager; (2) Client is tax-sensitive and needs professional tax-management solution (not applicable for IRAs); (3) A new manager is available or a prior manager was removed and client has a financial profile (ex: net worth, investable assets, annual income), time horizon, risk profile, and/or objective that benefits from the investment manager; or (4) there has been a material change to the current investment management team and client will benefit from an investment manager with better experience/reputation.

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

If the client informs D.A. Davidson of any material changes to the information in their Investment Profile, the Financial Advisor will evaluate the updated information and make changes or recommendations as appropriate to help ensure the Program, portfolio, or investment manager (as applicable to the SAM, MAC and UMA Programs) is in line with the client's Investment Profile and other preference they have for the advisory account. The Financial Advisor is also responsible for annually contacting the client to assess whether there are any updates to the clients information that would impact their selected Program, portfolio, or investment manager (as applicable to the SAM, MAC and UMA



Programs). The client is responsible for promptly communicating any material changes in the client's Investment Profile to D.A. Davidson. Information regarding this process is provided in Item 9 below under Review of Accounts.

## WRAP FEE PROGRAMS

### MANAGED FUNDS PORTFOLIOS ("MFP")

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

D.A. Davidson utilizes the Envestnet platform to implement, execute, monitor and rebalance the client's Program account. D.A. Davidson retains all discretion regarding the model construction, changes to the models, timing and parameters for implementation, execution, monitoring and rebalancing.

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

The MFP Program selects investments from the universe of mutual funds, ETFs or ETNs available on the D.A. Davidson platform. Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. When constructing models, the MFP Program uses the advisory share class for mutual funds. The MFP Program does not guarantee clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the MFP Program.

The MFP Program model does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken in the MFP Program and the various strategies available is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about mutual funds, ETFs and ETNs, see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

Davidson Investment Advisers ("DIA") also creates certain model portfolios for D.A. Davidson's use in the MFP Program.

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

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

*Reasonable Investment Restrictions.* A client may request D.A. Davidson impose reasonable investment restrictions on the client's MFP Program account, including with regard to specific securities or industry sectors. Each request for an account restriction by a client must be communicated to D.A. Davidson in writing, will be considered in accordance with D.A. Davidson's policies and procedures, and must be approved by D.A. Davidson in its sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable and is approved, D.A. Davidson will 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 (including worse) than a like account with no restrictions.

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

### RUSSELL INVESTMENTS MODEL STRATEGIES ("RMS" or "Fund Strategist")

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

D.A. Davidson utilizes the Envestnet platform to implement, execute, monitor and rebalance the client's Program

account. Russell Investments retains all discretion regarding the model construction and changes to the models, while D.A. Davidson conducts due diligence on the RMS models and retains discretion over the timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account.

*Portfolio Construction and Composition.* Russell Investments uses a variety of mutual funds in the Russell Investment Funds family to build a portfolio of diversified holdings appropriate for clients enrolled in the RMS Program. The RMS Program aims to provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth, core, and value) based on the investment philosophy of Russell Investments.

The RMS Program selects investments from the universe of mutual funds in the Russell Investment Funds family available on the D.A. Davidson platform. Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. When constructing models, the RMS Program uses the advisory share class for mutual funds. The RMS Program does not guarantee that clients will always be invested in the most favorable share class offered by Russell Investments or that more favorable share classes will be made available in the RMS Program.

The RMS Program does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken in the RMS Program and the various strategies available is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about mutual funds, see the product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

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

*Reasonable Investment Restrictions.* A client may request D.A. Davidson impose reasonable investment restrictions on the client's RMS Program account, including with regard to specific securities or industry sectors. Each request for an account restriction by a client must be communicated to D.A. Davidson in writing, will be considered in accordance with D.A. Davidson's policies and procedures, and must be approved by D.A. Davidson in its sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable and is approved, D.A. Davidson will work with Russell Investments to 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 (including worse) than a like account with no restrictions.

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

## SEPARATE ACCOUNT MANAGEMENT ("SAM")

*Program and Roles.* The SAM Program is offered in two versions: (1) SAM Model and (2) SAM Manager (together, the "SAM Program").

SAM Model offers clients an investment strategy of asset allocation and portfolio investments from a series of model portfolios that are constructed by an investment manager. These investment managers are typically third parties, but there are also portfolios in the Program that are constructed by D.A. Davidson's Wealth Management Research Department. Client's assets are thereafter managed and implemented in accordance with the agreed upon model portfolio. D.A. Davidson utilizes the Envestnet platform to implement, execute, monitor and rebalance the client's Program account. The investment manager retains all discretion regarding the model construction and changes to the models, while D.A. Davidson conducts due diligence on the SAM model providers and retains discretion over the timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account. D.A. Davidson has sole discretion to terminate a model provider from the SAM Model Program, in which case enrolled clients will be notified. Because D.A. Davidson's Wealth Management Department is one of the investment managers available in SAM Model, when those portfolios are recommended for a client it creates a conflict of interest, which is described in Item 6 below under Portfolio Manager Selection and Evaluation: Use of Affiliated Funds and Investment Management by Affiliated and Related Persons.

SAM Manager offers clients an investment strategy of asset allocation and portfolio investments by a third-party investment manager. These can be either model-based or customized to the client. The third-party investment manager

implements, executes, monitors and rebalances the client's Program account. The third-party investment manager retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account. D.A. Davidson conducts a review and selection process for the third-party investment managers available for participation in the SAM Manager Program, which is described in Item 6 below under Portfolio Manager Selection and Evaluation. D.A. Davidson has sole discretion to terminate a manager from the SAM Manager Program, in which case the client will be notified. Because Davidson Investment Advisers ("DIA"), a D.A. Davidson affiliated investment adviser, is one of the third-party investment managers available in the SAM Program, when DIA is recommended for a client it creates a conflict of interest, which is described in Item 6 below under Portfolio Manager Selection and Evaluation: Use of Affiliated Funds and Investment Management by Affiliated and Related Persons.

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

The SAM Program allows investment managers to select investments from the universe of stocks, bonds, mutual funds, ETFs, ETNs, and closed-end funds available on the D.A. Davidson platform. Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The SAM Program uses the advisory share class for mutual funds. The SAM Program does not guarantee clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the SAM Program.

The SAM Program does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken in the SAM models provided in Item 6 below under Portfolio Manager Selection and Evaluation. Clients that participate in SAM Manager will receive the disclosure brochure for the third-party investment manager that describes the various strategies available. For more information about stocks, bonds, mutual funds, ETFs, ETNs, and closed-end funds, see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

For SAM Manager, the third-party investment manager constructs, monitors and rebalances the client's portfolio in accordance with their policies and procedures and as disclosed in the third-party investment manager's ADV 2A Disclosure Brochure. Once changes are deemed appropriate, they are implemented to client's Program account at the third-party investment manager's discretion without prior notice to the client (including regarding the timing of these changes). D.A. Davidson has no influence or control over the third-party investment manager's investment decisions.

*Reasonable Investment Restrictions.* For SAM Model, a client may request D.A. Davidson impose reasonable investment restrictions on the client's Program account, including with regard to specific securities or industry sectors. Each request for an account restriction by a client must be communicated to D.A. Davidson in writing, will be considered in accordance with D.A. Davidson's policies and procedures, and must be approved by D.A. Davidson in its sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable and is approved, D.A. Davidson will work with the third-party investment manager to 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 (including worse) than a like account with no restrictions.

For SAM Manager, a client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account. Any such requests must be communicated to D.A. Davidson in writing and will be subject to approval of the third-party investment manager in accordance with the process described in their disclosure brochure.

*Documents Clients Receive.* Upon enrollment in SAM Model, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement, and the Envestnet 2A ADV Disclosure Brochure. Upon enrollment in SAM Manager, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement, the Envestnet 2A ADV Disclosure Brochure and the third-party manager's 2A ADV Disclosure Brochure. These documents

provide detailed information about the SAM Program and the D.A. Davidson Financial Advisor. Once enrolled clients will receive monthly/quarterly account statements/reports.

## MANAGED ACCOUNT CONSULTING ("MAC")

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

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

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

The MAC Program allows the investment manager to select investments from the universe of stocks, bonds, mutual funds, ETFs, ETNs and closed-end funds available on the D.A. Davidson platform. Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The MAC Program uses the advisory share class for mutual funds. The MAC Program does not guarantee clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the MAC Program.

The MAC Program does not allow for D.A. Davidson affiliated funds or affiliated managers to be selected. Clients that participate in the MAC Program will receive the disclosure brochure for the third-party investment manager that describes the various strategies available. For more information about stocks, bonds, mutual funds, ETFs, ETNs, and closed-end funds, see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

*Reasonable Investment Restrictions.* For the MAC Program, client may contact their Financial Advisor to request a reasonable investment restriction on the management of their Program account. Any such requests must be communicated to D.A. Davidson in writing and will be subject to approval of the third-party investment manager in accordance with the process described in their disclosure brochure.

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



## UNIFIED MANAGED ACCOUNT (“UMA”)

*Program and Roles.* The UMA Program offers clients an overall portfolio put together by D.A. Davidson and its Financial Advisor using a combination of the following investment sleeves: MFP model (as described above), RMS model (as described above), SAM Model (as described above), SAM Manager (as described above), and individual mutual funds, ETFs and ETNs selected by the Financial Advisor. The UMA Program is available in two versions: (1) UMA Select and (2) UMA Discretion. In UMA Select, the Financial Advisor will recommend the portfolio sleeves and client’s asset allocation into each sleeve, but will obtain client’s consent before implementing or making any changes to the portfolio sleeves or client’s asset allocation into each sleeve. In UMA Discretion, the Financial Advisor will recommend the portfolio sleeves and client’s asset allocation into each sleeve, but will not obtain client’s consent before implementation at the outset and before implementing or making any changes to the portfolio sleeves or client’s asset allocation into each sleeve.

The UMA Program utilizes the Envestnet platform to implement, execute, monitor and rebalance the client’s Program account, both with regard to the overall portfolio (pursuant to D.A. Davidson’s instructions) and for each sleeve (pursuant to the instructions of the model provider or third-party investment manager applicable to the sleeve).

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

DIA, a D.A. Davidson affiliated investment adviser, is one of the third-party investment managers available in the UMA Program. When DIA is selected for a client, this creates a conflict of interest, which is described in Item 6 below under Portfolio Manager Selection and Evaluation: Use of Affiliated Funds and Investment Management by Affiliated and Related Persons. DIA is available to UMA Select accounts and UMA Discretion accounts, except DIA is not available for UMA Discretion accounts subject to regulation under ERISA or to IRAs and certain other qualified account registrations.

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

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The UMA Program uses the advisory share class for mutual funds. The UMA Program does not guarantee that clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the UMA Program. The UMA Program does not allow for D.A. Davidson affiliated funds to be selected. More information on the investment selection process undertaken to create the pre-approved list of individual mutual funds and individual ETFs is provided in Item 6 below under Portfolio Manager Selection and Evaluation.

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

For more information about stocks, bonds, mutual funds, ETFs, ETNs, and closed-end funds, see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

Client’s Program account is monitored daily for deposits and withdrawals (of cash or securities) that cause the assets to deviate over time from the overall portfolio (including allocations to individual mutual funds and ETFs). When such deviations become materially significant (as determined by the D.A. Davidson), the client’s Program account will be rebalanced to align it more closely with the overall portfolio.

*Reasonable Investment Restrictions.* As noted above, for each of the following sleeves: MFP model, RMS model, SAM Model, SAM Manager, Reasonable Investment Restrictions operate as described under the respective Program descriptions above. For individual mutual funds and ETFs, a client may request D.A. Davidson impose reasonable investment restrictions on their accounts, including with regard to investments in specific securities or industry sectors. Each request for an account restriction by a client must be communicated to D.A. Davidson in writing and will be considered in accordance with D.A. Davidson’s policies and procedures and must be approved by D.A. Davidson in its sole discretion. If the request for restrictions is deemed reasonable and is approved, D.A. Davidson will 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 (including worse) than a like account with no restrictions.

*Tax Overlay and Impact Overlay Services.* An optional tax overlay management service is available in the UMA Program for an additional fee. In addition, an optional impact overlay management service based on socially responsible investing criteria is available for an additional fee. Envestnet operates both overlay services in accordance with their policies and procedures and as described in the Envestnet 2A Disclosure Brochure.

*Documents Clients Receive.* Upon enrollment, clients will receive this Brochure, the D.A. Davidson Financial Advisor's 2B Brochure Supplement and the Envestnet 2A ADV Disclosure Brochure. Clients enrolled in a SAM Manager sleeve will also receive the third-party investment manager's ADV 2A Disclosure Brochure. These documents provide detailed information about the UMA Program, the D.A. Davidson Financial Advisor and the investment managers (as applicable). Once enrolled clients will receive monthly/quarterly account statements/reports.

## PARAGON

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

*Portfolio Construction and Composition.* Paragon Managers use a variety of investments, including stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, unit investment trusts ("UITs") and advisory variable annuities to build a portfolio of diversified holdings appropriate for clients enrolled in the Paragon Program. The Paragon Manager will use all or a subset of these investments to construct the client's portfolio. The Paragon Program can provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth, core, and value) based on the investment philosophy of the Paragon Manager and the client's Investment Profile and other specific facts and circumstances (including facts and circumstances about other accounts with D.A. Davidson that are in the client's household). Each Paragon Manager has a written investment discipline that describes their investment philosophy and strategies they use. Clients should speak with the Paragon Manager regarding how the particular Paragon Manager will manage the client's account.

The Paragon Manager selects investments from the universe of stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs and advisory variable annuities available on the D.A. Davidson platform. Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The Paragon Program uses the advisory share class for mutual funds. The Paragon Program does not guarantee that clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the Paragon Program.

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

More information on the investment selection process undertaken in the Paragon Program and the various strategies available is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, and advisory variable annuities see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

*Reasonable Investment Restrictions.* A client may request their D.A. Davidson Financial Advisor impose reasonable investment restrictions on the client's Paragon Program account, including with regard to specific securities or industry sectors. Each request for an account restriction by a client must be communicated to the Financial Advisor in writing, will be considered in accordance with the Financial Advisor's investment philosophy and must be approved by the D.A.

Davidson Financial Advisor in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable and is approved, the Financial Advisor will 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 (including worse) than a like account with no restrictions.

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

## PARAGON CWAM

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

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

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

Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The Paragon CWAM Program uses the advisory share class for mutual funds. The Paragon CWAM Program does not guarantee that clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the Paragon CWAM Program.

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

More information on the investment selection process undertaken in the Paragon CWAM Program is provided in Item 6 below under Portfolio Manager Selection and Evaluation. For more information about stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, and advisory variable annuities see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

*Reasonable Investment Restrictions.* A client may request their D.A. Davidson Financial Advisor impose reasonable investment restrictions on the client's Paragon CWAM Program account, including with regard to specific securities or industry sectors. Each request for an account restriction by a client must be communicated to the Financial Advisor in writing, will be considered in accordance with the Financial Advisor's investment philosophy, and must be approved by the CWAM Manager in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable

and is approved, the CWAM Manager will 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 (including worse) than a like account with no restrictions.

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

## CHOICE

*Program and Roles.* The Choice Program offers clients an investment strategy of asset allocation and portfolio investments customized to the client by a D.A. Davidson Financial Advisor. In the Choice Program client appoints D.A. Davidson to provide investment advice and recommendations for the assets in the client's Program account, but the client retains full authority over the decisions (including the authority to buy, sell, or hold securities and the timing of these actions). Neither D.A. Davidson nor a Financial Advisor has investment discretion and may not buy or sell securities in connection with a client account without their consent. The Financial Advisor uses tools available at D.A. Davidson including Thompson One and the Envestnet platform to implement, execute, monitor and rebalance the client's Program account.

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

*Portfolio Construction and Composition.* Financial Advisors use a variety of investments, including stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, and advisory variable annuities to build a portfolio of diversified holdings appropriate for clients enrolled in the Choice Program. The Financial Advisor will use all or a subset of these investments to construct the client's portfolio. The Choice Program can provide diversification through exposure to different asset classes (such as equities, fixed income, multi assets and alternative investments) and investment strategies (growth, core, and value) based on the investment philosophy of the Financial Advisor and the client's specific facts and circumstances.

The Financial Advisor selects investments from the universe of stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, and advisory variable annuities available on the D.A. Davidson platform. Mutual funds often offer several share classes to investors. Each share class invests in the same portfolio of underlying securities and has the same investment objectives or policies. However, their fees, expenses and initial investment minimums differ. The Choice Program uses the advisory share class for mutual funds. The Choice Program does not guarantee that clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in the Choice Program.

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

For more information about stocks, bonds, mutual funds, ETFs, ETNs, alternative investments, UITs, and advisory variable annuities see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

*Reasonable Investment Restrictions.* A client may request that their D.A. Davidson Financial Advisor impose reasonable investment restrictions on the client's Choice Program account, including with regard to specific securities or industry sectors. Each request for an account restriction by a client must be communicated to the Financial Advisor in writing and will be considered in accordance with the Financial Advisors investment philosophy and must be approved by the D.A. Davidson Financial Advisor in their sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions



is deemed reasonable and is approved, the Financial Advisor will 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 (including worse) than a like account with no restrictions.

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

## ADDITIONAL PROGRAM INFORMATION

**Custody and Trade Execution.** Generally, D.A. Davidson serves as custodian for client assets in the Programs. However, in some cases D.A. Davidson, in its sole discretion, may permit clients to custody their assets at another financial institution acceptable to D.A. Davidson (each, an "Outside Custody Arrangement"). This arrangement would only be considered for clients in the Paragon, Paragon CWAM and Choice Programs and not for accounts subject to regulation under ERISA, or to IRA and certain other qualified account registrations. Typically, for Outside Custody Arrangements, the client will pay a separate custody fee to the custodian of those assets in addition to a Total Annual Fee (as defined below) paid to D.A. Davidson for investment advisory services and enter into a separate Custodial Agreement with that custodian.

For accounts custodied at D.A. Davidson, the Firm will also provide execution services for the client's securities transactions in accordance with D.A. Davidson's brokerage practices described in Item 9 below under Brokerage Practices.

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

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

## FEES

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

The Total Annual Fee varies among Programs as follows:

| Program     | Davidson Advisory Fee  | Management Fee   |
|-------------|------------------------|--|
| MFP         | Negotiable up to 1.85% | N/A  |
| RMS         | Negotiable up to 1.85% | 0.02%  |
| MAC         | Negotiable up to 1.85% | Negotiable   |
| SAM Model   | Negotiable up to 1.85% | 0.07% - 0.60%<br>(including a 0.15% platform fee to D.A. Davidson)       |
| SAM Manager | Negotiable up to 1.85% | 0.14% - 0.57%<br>(including a 0.02%-0.05% platform fee to D.A. Davidson) |

|                               |                        |  |
|-------------------------------|------------------------|--|
| UMA Select and UMA Discretion | Negotiable up to 1.85% | 0.15% - 0.75%<br>(including a 0.15% platform fee to D.A. Davidson)   |
| Paragon                       | Negotiable up to 1.85% | N/A  |
| Paragon CWAM                  | Negotiable up to 1.85% | Negotiable up to 0.50% (with total Davidson Advisory Fee combined with Management Fee not to exceed 1.85%) |
| Choice                        | Negotiable up to 1.85% | N/A  |

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

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

Allowing the Financial Advisor to determine the D.A. Davidson Advisory Fee creates a conflict of interest because the Financial Advisor is incented to increase their compensation by setting a higher fee for client's Program account. We mitigate this conflict of interest by establishing a maximum fee that can be charged for any Program account.

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

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

A portion of the Management Fee is retained by D.A. Davidson to support the use of the Envestnet platform for these Programs and typically is passed on to Envestnet (the "platform fee"). When the D.A. Davidson Wealth Management research portfolios are selected in SAM Model and UMA, both the D.A. Davidson Advisory Fee and the platform fee portion of the Management Fee are charged to the client and retained by D.A. Davidson.

The Paragon CWAM Portfolios are often recommended by the CWAM Managers (i.e., Financial Advisors that develop these portfolios) who are also approved to be Paragon Managers. This creates a conflict of interest because these Financial Advisors have an opportunity to negotiate a higher Total Annual Fee for using the CWAM Portfolios. D.A. Davidson mitigates the risk by not allowing the Total Annual Fee (along with the 50 basis point Management Fee for the Paragon CWAM Program) to exceed the 1.85% maximum Davidson Advisory Fee for any Paragon CWAM accounts opened after August 2013 (unless they are subject to an Exception Fee Arrangement). However, prior to August 2013, the CWAM Portfolios were priced using a tiered fee arrangement and these clients participating in the Paragon CWAM Program continue to be subject to their previously agreed fee arrangements, which may be higher than the 1.85% maximum.

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

## ADDITIONAL FEE INFORMATION

**How Fees are Charged.** The Total Annual Fee is calculated and charged quarterly, in advance, payable on the first day of each calendar quarter. The quarterly fee is calculated based on the market value of the assets in the account

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

**Cash Balances.** The Total Annual Fee includes cash balances. However, for the Paragon, Paragon CWAM and Choice Programs, for every quarter after the first quarter a client is enrolled in the Program, cash balances above 25% of the market value of the Program account are excluded when calculating the Total Annual Fee.

The amount invested in cash differs among Programs. Any cash in client's account is typically swept into the cash management program described in Item 9 below under Other Compensation.

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

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

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

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

All fees paid to D.A. Davidson for investment advisory services provided through the Programs are separate and distinct from the fees and expenses charged in relation to assets invested in bank deposit accounts, money market funds, mutual funds, ETFs, private funds, advisory variable annuities, and private investment partnerships and other pooled investments. These fees and expenses are described in each fund's (or other vehicle's) prospectus or offering document and will be borne directly or indirectly by their shareholders. These fees will also generally include a management fee, other fund expenses, and potentially a 12b-1 Fee or other marketing and distribution charges. By investing in these types of securities, a client is essentially paying multiple layers of fees and expenses on the assets invested. When investments are made in D.A. Davidson affiliated funds, these additional fees are retained by DIA, a D.A. Davidson affiliate. D.A. Davidson has an incentive to permit Program accounts to invest in D.A. Davidson affiliated funds because that would result in more money being retained by the D.A. Davidson family of companies. To mitigate this conflict, D.A. Davidson only allows D.A. Davidson affiliated funds to be used in the Paragon, Paragon CWAM and Choice Program accounts that are not ERISA, IRA or other qualified account. In addition, the compensation Financial Advisors receive does not differ depending on whether D.A. Davidson affiliated funds are selected for the client's account.

As a matter of D.A. Davidson's policy, any new purchases of mutual funds in an advisory account must be in an advisory share class that does not impose a 12b-1 Fee, where such a share class is available. In the event D.A. Davidson receives a 12b-1 Fee in relation to an existing mutual fund position in an advisory account, the Firm will pass on and rebate the fee to the client. Further information relating to fees and expenses is provided in Item 9 below under Brokerage Practices and Other Compensation.

In the case of annuity or insurance products available in the Paragon, Paragon CWAM and Choice Programs, clients

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

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

D.A. Davidson and its Financial Advisors have an incentive to recommend a Program, portfolio or investment manager affiliated with D.A. Davidson because both the Davidson Advisory Fee and the Management Fee are retained by the D.A. Davidson family of companies. However, the compensation Financial Advisors receive does not differ depending on whether D.A. Davidson or its affiliate acts as a manager in relation to the client's account. Further information regarding these conflicts of interest, and how D.A. Davidson addresses them, is provided in Item 9 below under Code of Ethics.

**Householding Rules.** Clients should notify their Financial Advisor if they wish to apply "householding" rules to their account for purposes of fee negotiation and consolidating statements. Householding is an aggregation process that could help clients negotiate a lower D.A. Davidson Advisory Fee rate by adding together the amounts in client's household members' Program accounts to achieve higher account values than available to an individual Program account. Program accounts held directly by client, or for the benefit of a spouse, parent, child or anyone else residing at the same address as the client, qualify for householding. Householding of related Program accounts will result in the receipt of a single combined quarterly performance report per household. By householding, clients allow D.A. Davidson to share client's Program account performance information with other members of client's household. Householding of related Program accounts does not authorize others in client's household to conduct transactions in client's Program account.

Plan fiduciaries and clients should note accounts participating in a Program that were established under an ERISA-qualified plan are typically not grouped under a householding arrangement with accounts not subject to ERISA for purposes of receiving a combined quarterly performance report. They may still be considered in achieving higher account values for fee negotiation purposes. Clients are also encouraged to consult their tax advisor regarding the tax consequences of grouping accounts not subject to ERISA with other retirement accounts (such as IRAs and Keogh plan accounts), and with non-retirement accounts for purposes of identifying a potential householding fee reduction.

**Termination of the Advisory Relationship.** Either clients or D.A. Davidson may terminate participation in a Program upon ten business day's written notice to the other. The firm may also terminate client's participation in a Program or place restrictions on client's account (i) automatically upon notification to D.A. Davidson of client's death, (ii) should client's balance fall below the Program's minimum balance due to client initiated withdrawals, or (iii) if client fails to update or provide any required documentation. In the event D.A. Davidson or a client terminates client's participation in a Program, any prepaid, unearned fees will be refunded. The number of days remaining in the billing period after the effective date of the termination will be considered in determining the amount of any fee reimbursement due to a client.

**Additional General Fee Information.** D.A. Davidson may modify a client's existing fees and/or add additional fees or charges by providing the client with thirty (30) days prior written notice of the modification.

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

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

participate in a Program.

**Compensation Received by D.A. Davidson and Financial Advisors.** A Financial Advisor, who recommends a client open an advisory account will be compensated based on the amount of the Davidson Advisory Fee that the client pays.

Depending on the investments and frequency of trading in an account, the amount of compensation received by the Financial Advisor may be more or less than the amount of compensation he or she would receive if the client paid separately for similar services to be provided outside of the advisory relationship. Accordingly, the Financial Advisor may have an incentive to recommend a Program over non-advisory products or services offered by D.A. Davidson. In addressing this conflict of interest, D.A. Davidson and its Financial Advisors are supervised to the standards of care described in Item 4 above when providing investment advisory services. D.A. Davidson and its Financial Advisors meet those standards by evaluating each client's Investment Profile, in determining whether the portfolio recommended is in the best interest of the client. D.A. Davidson has also adopted and enforces policies and procedures intended to ensure the Firm and its Financial Advisors comply with their fiduciary duties. Further information regarding conflicts of interest and related topics is provided in Item 7 below under Client Information Provided to Financial Advisors and Portfolio Managers and in Item 9 below under Code of Ethics.

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

## Item 5 Account Requirements and Types of Clients

### MINIMUM ACCOUNT SIZE REQUIREMENTS

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

| Program                      | Minimum Investment for Participation |
|------------------------------|--------------------------------------|
| MFP                          | \$5,000                              |
| RMS                          | \$25,000                             |
| SAM with Investment Manager  | \$100,000                            |
| SAM using Third-Party Models | \$25,000                             |
| MAC                          | \$100,000                            |
| UMA Discretion               | \$10,000                             |
| UMA Select                   | \$100,000                            |
| Paragon                      | \$10,000                             |
| Paragon CWAM                 | \$10,000                             |
| Choice                       | \$24,000                             |



## TYPES OF CLIENTS

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

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

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

- review the performance of the MFP, RMS, SAM, and UMA Programs relative to their assigned benchmarks and peer groups;
- provide diverse perspective on current market and economic conditions as well as the capital markets in relation to strategic asset allocation targets;
- set the securities transaction parameters for the Paragon, Paragon CWAM and Choice Programs described below;
- review and approve the investment products offered within the Paragon, Paragon CWAM and Choice Programs;
- evaluate and determine the addition or removal of model providers, investment managers, mutual funds and asset allocations relevant to the Programs and as described below;
- evaluate the capital markets, current and projected macroeconomic and other conditions; and
- engage in the product evaluation and approval process for complex products (such as annuities and alternative investments) that may be selected for Program accounts (and as described further in the specific product disclosures found at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures)).

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

## METHODS OF ANALYSIS AND STRATEGIES BY PROGRAM

### **MANAGED FUNDS PORTFOLIOS (MFP)**

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

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

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

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

To evaluate the investments (mutual funds, ETFs, and ETNs) for inclusion in the MFP model portfolios, D.A. Davidson utilizes both qualitative and quantitative measures. The initial process to screen securities for inclusion in the Program includes the following: 1) a general quantitative screen of the applicable universe of U.S.-registered mutual funds and ETFs in relation to factors such as operational qualities (costs, the robustness of information systems, and trading capabilities), portfolio composition, volatility/performance, and tax efficiency; 2) research on the specific issuer (relating to performance over time, versus benchmark and versus peers); and 3) a review of the relevant investment manager's

philosophy, staffing, and investment process. From the list of issuers identified through this screening process, D.A. Davidson compiles a list of potential investments (which is subject to change from time to time). Criteria for replacement of an investment in the MFP models generally include fundamental changes in the operations of the investment manager; turnover in key investment manager personnel; changes in senior management or among owners of the investment manager; significant drift from the investment manager's stated objectives or style; prolonged underperformance by the investment manager in relation to its peers; or any other change that could warrant removal or replacement of the investment manager, including replacement as a result of D.A. Davidson identifying relatively more attractive investment opportunities.

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

**a. Access Portfolio.** Access Portfolios invest in mutual funds and/or ETFs, selected consistent with the client's asset allocation and investment objectives. Access Portfolios are offered to investors who have a relatively small initial investment. D.A. Davidson offers 20 Access Portfolios, six of which are offered under two model iterations, MFP Access and MFP Access Vanguard: All Equity, Capital Appreciation, Balanced, Balanced 50/50, Conservative Balanced, and Income. MFP Access Russell Investments offers five Portfolios: Equity Growth, Growth, Balanced, Moderate, and Conservative. MFP Access Davidson Investment Advisors Tactical Portfolio offers the final three portfolios: Capital Appreciation 75/25, Balanced 50/50, and Income 25/75. For further information regarding the conflicts of interest associated with DIA's role as an Access Portfolio Model Provider is provided in this Item 6 below under Portfolio Management by Affiliates and Related Persons.

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

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

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

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

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

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

**d. Index-Based Portfolio.** The Index-Based Portfolios are managed portfolios that predominantly employ passive mutual funds, and/or ETFs/ETNs selected consistent with the client's asset allocation and investment objectives. D.A.

Davidson offers six strategies under this arrangement: All Equity, Capital Appreciation, Balanced, Balanced 50/50, Conservative Balanced, and Income.

**e. Socially Aware Portfolio.** The Socially Aware Portfolios integrate social concerns and values with investment decisions made consistent with the client's asset allocation and objectives. The portfolios emphasize mutual funds and ETFs that either specifically target socially responsible objectives, or that incorporate an investment process, which inherently reduces their exposure to companies exhibiting socially undesirable environmental, governance, or other policies. D.A. Davidson offers six Socially Aware strategies: All Equity, Capital Appreciation, Balanced, Balanced 50/50, Conservative Balanced, and Income. Managers that consider social factors typically invest in a more limited set of companies than other managers, which may have a positive or negative impact on their relative performance.

**f. Elite Portfolio.** Elite Portfolios utilize mutual funds and ETFs selected consistent with the client's desired asset allocation and investment objectives. Elite Portfolios are offered to investors who desire a higher degree of asset class exposure and additional diversification, as compared to other MFP portfolios. D.A. Davidson offers 29 Elite Portfolios, six under each of the four model iterations (Regular Elite, Elite Tax-Aware, Elite Index-Based and Elite Manager Core) and five under the Elite Multi-Strategy, in which D.A. Davidson recommends a desired asset allocation for the client, and a corresponding portfolio of mutual funds and ETFs selected consistent with the client's needs and objectives.

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

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

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

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

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

## RUSSELL INVESTMENTS MODEL STRATEGIES (RMS)

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

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

D.A. Davidson conducts this review by utilizing several quantitative and qualitative criteria. The quantitative screening process involves defining the asset class and management style, and evaluating the RMS portfolios relative to several



returns-based criteria that is provided through a third-party database. These screens focus on business level risks (such as product history and manager tenure), holdings-based risks (such as sector diversification and weightings), performance-based risks (such as tracking error and peer group performance) and execution risk. The qualitative review applies proprietary criteria to certain factors deemed significant, including the consistency of style relative to composite performance, the tax efficiency/sensitivity of the manager in advising a fund, the quality of the investment management professionals employed by that firm, the manager's investment processes, and other operational and legal factors. D.A. Davidson meets with Russell Investments annually to help facilitate this review.

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

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

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

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

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

## SEPARATE ACCOUNT MANAGEMENT (SAM)

As described in Item 4 above under SAM, the SAM Program is offered in two versions: (1) SAM Model and (2) SAM Manager. In both Programs a model provider or investment manager is responsible for selecting the allocations and investments used, but in SAM Manager the third-party investment manager also retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing the client's Program account, whereas in SAM Model, D.A. Davidson retains the discretion.

For the SAM Program, D.A. Davidson is responsible for periodically reviewing and generally overseeing the SAM model providers and investment managers for inclusion.

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

D.A. Davidson conducts periodic reviews of the managers in the SAM Program, and will often engage outside data providers and utilize software tools to assist in initial and ongoing evaluations. D.A. Davidson has sole discretion to

terminate a manager from the SAM Program, in which case the client will be notified. D.A. Davidson will place a model provider or investment manager on "Watch List" status if material adverse changes occur in their business, including a change in the firm's ownership, the departure of key investment personnel, extreme performance that may be indicative of style drift or a breakdown in investment processes, and a period of underperformance relative to a benchmark and/or category peers. Generally, a model provider or investment manager who is on Watch List status for more than three consecutive quarters will be 1) moved back to recommended status if D.A. Davidson deems it prudent to do so, or 2) terminated from the SAM Program.

DIA is an approved third-party investment manager in SAM Manager. Because DIA is a D.A. Davidson affiliate, D.A. Davidson engages an independent third party to evaluate DIA for inclusion in the SAM Program subject to the same criteria described above. Further information regarding the conflicts of interest associated with DIA's role as a third-party investment manager is included in this Item 6 below under Use of Affiliated Funds and Investment Management by Affiliates and Related Persons.

D.A. Davidson has a number of portfolios created by its Wealth Management Research department included in SAM Model. The models must meet the above criteria in order to be included in the SAM Program.

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

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

**Methods of Analysis for Investment Strategies of D.A. Davidson Wealth Management Research.**

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

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

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

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

**c. ESG Achievers.** The D.A. Davidson & Co. ESG Achievers Model Portfolio seeks long-term outperformance relative to the S&P 500 through investment in stocks of high-quality companies that score favorably on Environmental, Social, and Governance (ESG) criteria. ESG Achievers is a concentrated equity portfolio constructed from a universe of companies with favorable ESG ratings relative to peers. D.A. Davidson Wealth Management Research has partnered with Sustainalytics, one of the global leaders in ESG research, to evaluate the ESG characteristics of a broad universe of publicly traded companies, mutual funds, and ETFs. D.A. Davidson Wealth Management Research performs fundamental research on the largest companies trading on U.S. equity exchanges. Eligible companies must also be ranked by Sustainalytics in the top 25% of ESG ratings to peers in their global subindustry at the time of addition to ESG Achievers. Securities may be removed from ESG Achievers if there is a material change in company or industry fundamentals, a deterioration of ESG Risk Rating ranking relative to subindustry peers as measured by Sustainalytics, and/or the portfolio managers view the risk/reward profile as unattractive.

## MANAGED ACCOUNT CONSULTING (MAC)

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

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

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

## UNIFIED MANAGED ACCOUNT (UMA)

As described in Item 4 above under UMA, the UMA Program offers clients an overall portfolio put together by D.A. Davidson and its Financial Advisor using a combination of the follow investment sleeves: MFP models, RMS models, SAM models, SAM managers, and individual mutual funds, ETFs and ETNs selected by the Financial Advisor. The MFP models, RMS models, SAM model providers and SAM managers employ the method of analysis described for each in this Item 6 above. D.A. Davidson is responsible for selecting and evaluating the individual mutual funds, ETFs, and ETNs that can be selected by the Financial Advisors for use in the UMA Program.

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

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

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

## PARAGON

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

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

**Methods of Analysis for Investment Strategies.** Paragon Managers employ diverse investment strategies, techniques, and methods of analysis, each of which may change depending, among other things, on changes in market conditions. Some Paragon Managers have model portfolios and distinct strategies, while others use a more customized approach to implementation of their investment strategy based on a client's unique needs. Paragon Managers may also pursue diverse objectives for client accounts, such as aggressive growth of capital, moderate growth of capital, or preservation of capital; may focus on certain issuers based on their market capitalization (such as large caps or small caps); favor a particular investment style (such as growth, value or core); or may recommend purchasing and selling certain types of securities (such as stocks, bonds or mutual funds). Some Paragon Managers will specialize in one or more of the areas referred to above, and therefore implement an investment strategy in a more concentrated fashion, while other Paragon Managers will actively focus on diversifying the client's account assets.

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

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

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

- Short sales are prohibited.
- Margin is prohibited.
  - The assets within the Paragon account may be used as collateral for a margin balance held within a separate brokerage account. The use of margin must be client-driven.
- Volatility, Leveraged and inverse ETFs are prohibited (limited exceptions may be considered).
- Option transactions are limited to covered calls and protective puts in proportion to the relevant underlying equity position.
- Individual Fixed Income securities:
  - Investment grade securities should be utilized.
- Advisory variable annuities are allowed with approval. All other Annuities are prohibited.
- Mutual funds (open and closed-end funds) purchased in an advisory or equivalent share class.



- Any share class of Davidson Funds (Davidson Investment Advisors) in ERISA or IRA accounts is prohibited.
- Unit Investment Trusts (UITs) are restricted to advisory share classes only.
- Alternative investments, including alternative funds, managed future funds, and interval funds are restricted to a percentage of the client's total investable assets, based on the client's risk tolerance. Investor qualification requirements also must be met in the case of private placement offerings.
  - Alternative funds are limited to advisory share class strategies purchased via our approved alternative investment platform (Financial Advisor approval and client qualification policies and procedures apply) and SEC 1940 Act Mutual Funds and ETFs/ETNs classified as alternative investments.
- Principal trades are allowed only when they are in the client's best interest based on the financial information and investment objectives provided by the client.
  - **Under no circumstances are principal trades and new issues allowed in ERISA or IRA accounts.**
- Agency cross transactions are generally prohibited. Please see further information in Item 9 below under Additional Information and Participation or Interest in Client Transactions.
- Factorable securities (e.g., CMOs and GNMA's) are prohibited as well as other structured products.
- Securities trading below \$5 per share on Over-The-Counter Markets are prohibited.

In some cases, accounts transitioned from legacy investment management programs will continue to hold securities positions that would otherwise be ineligible under the Paragon Program.

## PARAGON CWAM

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

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

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

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

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

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

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

## CHOICE

As described in Item 4 above under Choice, the Choice Program offers clients an investment strategy of asset allocation and portfolio investments customized to the client by a D.A. Davidson Financial Advisor. In the Choice Program client appoints D.A. Davidson to provide investment advice and recommendations for the assets in the client's Program account, but the client retains full authority over the decisions (including the authority to buy, sell, or hold securities and the timing of these actions). Neither D.A. Davidson nor a Financial Advisor has investment discretion and may not buy or sell securities in connection with a client account without their consent.

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

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

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

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

**Security and Transaction Parameters Choice Program.** Permitted Investments and non-Permitted Investments for the Choice Program are the same as the Paragon Program.

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

**Investment Manager Performance.** Evaluation of performance as a criteria for due diligence related to the MFP, RMS, SAM, MAC and UMA programs are typically calculated using a time-weighted-return methodology. Time-weighted performance is often used as an industry standard to compare investment managers as it measures the compounded rate of growth, while removing the distorting effects caused by the inflow or outflow of funds in a portfolio.

MFP Program portfolio performance is calculated by Envestnet using a composite of accounts, which is an aggregation of client accounts managed by the investment manager within the same portfolio and performance period being presented. For the SAM and applicable UMA Program portfolios Envestnet obtains the time-weighted-performance information based on the composite of accounts for each portfolio from third-party data providers. In the case of UMA Program portfolios with mutual funds or ETF allocations the performance is calculated by Envestnet, using individual holding data obtained from a third-party data provider.

D.A. Davidson's Managed Assets Research Department reviews the performance and attribution analysis for the Programs described above on a quarterly basis and believes the performance calculations and sources of this information to be reliable. Some but not all SAM Program managers report Global Investment Performance Standards ("GIPS") compliant composite performance, which are voluntary standards used by investment managers, established by the CFA Institute, and governed by the GIPS Executive Committee to help ensure fair and accurate reporting. **However, D.A. Davidson does not verify or guarantee the accuracy or completeness of the performance information, the data provided by any external source, or compliance with any particular presentation standards, prior to its use with clients or prospective clients.**

For Paragon, Paragon CWAM and Choice, each Financial Advisor is creating and developing client portfolios. Performance is available to clients in a quarterly performance report. The Firm does not evaluate the Financial Advisors performance in determining whether the Financial Advisor can continue to provide investment management to clients.

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

Mutual funds issued by DIA, a D.A. Davidson affiliate ("Affiliated Funds"), are used in the Paragon, Paragon CWAM and Choice Programs, except within accounts that are subject to regulation under ERISA, or to IRA and certain other qualified account registrations. Affiliated Funds cannot be selected in any of the other Programs. D.A. Davidson and its affiliates have a conflict of interest in selecting Affiliated Funds for Paragon, Paragon CWAM and Choice accounts because D.A. Davidson affiliates earn compensation for advisory, distribution and administrative services provided to the Affiliated Funds. This compensation is in addition to the Total Annual Fee, resulting in the receipt of two levels of fees by the D.A. Davidson family of companies. The receipt of two levels of fees may be significant, both in absolute dollar amounts and relative to D.A. Davidson's net income and creates an incentive for D.A. Davidson to cause the Paragon, Paragon CWAM and Choice Programs and continue to retain Affiliated Funds over unaffiliated mutual funds. D.A. Davidson seeks to address this conflict of interest by disclosing it in this Brochure. Clients can also request that Financial Advisors not purchase Affiliated Funds in their Paragon, Paragon CWAM and Choice accounts.

DIA acts as an investment manager in the SAM Manager and UMA Programs, as described in Item 4 above. D.A. Davidson and DIA have a conflict of interest when DIA is selected as an investment manager in the SAM and UMA Programs because, under these circumstances, both the D.A. Davidson Advisory Fee and Management Fee are retained by the D.A. Davidson family of companies. This means that, through these arrangements, D.A. Davidson and its affiliates receive higher total compensation than if the client selected an unaffiliated investment manager. D.A. Davidson seeks to address this conflict by disclosing it in this Brochure. In addition, in the SAM and UMA Programs, DIA is subject to the same selection and ongoing review process as unaffiliated managers and is evaluated by an independent third-party.

D.A. Davidson, in providing the D.A. Davidson Wealth Management Research portfolios, acts as a model provider in the SAM Model and UMA Programs, as described in Item 4 above. D.A. Davidson has a conflict of interest when the Wealth Management Research portfolios are selected in the SAM and UMA Programs because, under these circumstances, both the D.A. Davidson Advisory Fee and platform fee portion of the Management Fee are charged to the client and retained by D.A. Davidson. This conflict of interest is mitigated by assessing the same platform fee for all SAM Model providers and all sleeves in the UMA Programs. Also, while D.A. Davidson charges the platform fee portion of the Management Fee in addition to the D.A. Davidson Advisory Fee for the D.A. Davidson Wealth Management Research portfolios, that platform fee is retained by D.A. Davidson for offering these portfolios through the Envestnet platform and typically is passed on to Envestnet.

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

## ADVISORY BUSINESS

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

## PERFORMANCE-BASED FEES

D.A. Davidson does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's account assets) in any of the Programs. D.A. Davidson receives a performance fee paid by the Concordant Fund, a private fund offered only to accredited investors. Further information regarding the Concordant Fund is included in D.A. Davidson's ADV, Part 2A.

## RISK OF LOSS

Clients should understand investing in any security involves a risk of loss of both income and principal. Securities analysis methods, including those utilized by D.A. Davidson, assume the companies whose securities trade in the markets, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we attempt to remain alert to indications that data is be incorrect, there is always a risk that D.A. Davidson's analysis is compromised by inaccurate or misleading information.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

**Technology Risk.** The offerings within the Programs are dependent upon various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. The successful operation of the Program could be severely compromised by system or component failure, telecommunication failure, power loss, a software-

related system crash, unauthorized system access or use (such as “hacking”), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunication systems or operations could have a material adverse effect on the Programs. Such a material adverse effect may have a heightened impact on some of the Programs given the automated nature of the services provided.

**Specific Security Risks.** In addition to the above risks, each security type used in the Programs has certain characteristics and is subject to a risk of loss that clients should be prepared to bear. For more information about risks associated with stocks, bonds, mutual funds, ETFs, ETNs, options, alternatives, UITs and advisory variable annuities see each product disclosure on the D.A. Davidson Website located here: [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures). For risks associated with mutual funds and ETFs in client's account, see the fund's current prospectus.

## VOTING CLIENT SECURITIES

**Proxy Voting in each Program.** D.A. Davidson votes securities on behalf of its clients in the Paragon and Paragon CWAM Programs and instances where the client has delegated the duty to D.A. Davidson in writing, consistent with applicable laws and regulations and the Firm's policies and procedures relating to the voting of proxies. These controls are intended to ensure that proxies are voted in the client's best interest. In all Programs, clients may retain the right to vote proxies for their own accounts, or direct D.A. Davidson to vote a proxy in a particular manner, so long as the client timely notifies their Financial Advisor in writing (including by email). Where D.A. Davidson is responsible for voting proxies, it also votes proxies relating to securities held in accounts subject to ERISA, unless the plan documents specifically reserve proxy-voting authority to the plan sponsor.

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

D.A. Davidson does not vote securities on behalf of clients in the SAM, RMS, UMA, or MFP Programs, or for any underlying securities within mutual fund positions held in Program accounts. These Programs are managed on the Envestnet platform by the investment managers or Model Providers, depending on the program in question. In general, Envestnet delegates proxy voting to the third-party investment managers with respect to accounts participating in the SAM Manager and UMA Programs that incorporate a manager sleeve. In those Programs, the investment manager is responsible for voting, or abstaining from voting, in connection with any proxy solicitation relating to a security in the client's account. Envestnet votes proxies relating to securities in client accounts participating in the MFP, RMS, SAM Model, and UMA Programs that incorporate a model sleeve. Envestnet has implemented policies and procedures and other controls intended to ensure that proxies relating to securities held in a relevant Program account are voted in the client's best interest. Further information on Envestnet's proxy voting policy and procedures can be found in Envestnet's Form ADV, Part 2A, which is provided to clients upon enrollment in each of these programs, available upon request or can be found online by searching for Envestnet Asset Management online at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

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

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

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

**Proxy Voting Committee.** D.A. Davidson's Investment Adviser Proxy Voting Committee (the “Proxy Committee”) includes senior personnel from D.A. Davidson and one or more of its Related Persons. The Proxy Committee meets periodically to monitor D.A. Davidson's overall adherence to and the effectiveness of the Firm's proxy voting policies and procedures. The Proxy Committee also reviews the internal controls and independence of the third-party vendors on no less than an annual basis. In addition, the Proxy Committee preapproves any contested or controversial proxies,

requests to deviate from the Proxy Advisor's voting recommendations, and proxies that are not covered by D.A. Davidson's proxy voting policies and procedures.

**Class Action Notices.** D.A. Davidson will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in a client's Program account(s), including in connection with the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct D.A. Davidson to transmit a copy of any class action notices to the client or to a third-party. Upon such direction, D.A. Davidson will use commercially reasonable efforts to forward such notices to the person identified by the client in a timely manner.

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

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

## Item 7 Client Information Provided Portfolio Managers

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

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

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

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

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

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

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

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

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

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

## Item 8 Client Contact with Portfolio Managers

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

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

The investment managers for the Paragon, Paragon CWAM and Choice are D.A. Davidson Financial Advisors and

clients enrolled in these Programs have direct access to them.

## Item 9 Additional Information

### DISCIPLINARY INFORMATION

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

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

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

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

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

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

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

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

In May 2015, D.A. Davidson, without admitting or denying the allegations, consented to the findings of the Nasdaq

Stock Market, LLC. ("NASDAQ") that it violated SEC Rule 101 of Regulation M by purchasing shares on a principal basis (i.e., a proprietary account) in 84 transactions, in its capacity as market maker while being a public offering distribution participant. In general Regulation M is designed to prevent or mitigate market manipulation, and restricts the activities of distribution participants that could artificially influence a market for an offering. In addition NASDAQ alleged D.A. Davidson's supervisory system was not reasonably designed to achieve compliance with the aforementioned securities laws, in violation of NASDAQ Rules 3010 and 2110. D.A. Davidson was censured and fined \$17,500. Internal controls were also updated to help prevent any repeated violation, including enhancement to an internal watch list for securities in which D.A. Davidson is participating in the public offering.

In July 2012, D.A. Davidson, without admitting or denying the allegations, consented to the findings of FINRA that it violated fair pricing and best execution requirements set forth under NASD Rules 2440, IM-2440-1, IM-2440-2 and 2110 and FINRA Rule 2010 (for conduct on or after December 15, 2008). More specifically, during the period of October through December 2008, FINRA found 14 customer transactions where D.A. Davidson failed to ascertain a fair price, taking into consideration all relevant circumstances at the time of the transactions, including current market conditions. During the period of July through September 2009, FINRA found the Firm failed to use reasonable diligence to ascertain the best inter-dealer market in 12 customer transactions and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. D.A. Davidson was censured and fined \$30,000.

In February 2012, D.A. Davidson, without admitting or denying the allegations, consented to the findings of the NASDAQ Stock Market that the Firm violated the SEC Limit Order Display Rule (Rule 604) in that it failed to display immediately 35 customer limit orders in NASDAQ securities in its public quotation, when such order was at a price that would have improved the Firm's bid or offer. The purpose of the Limit Order Display Rule is to help promote competition, provide liquidity and increase transparency in the equity and option markets to investors. D.A. Davidson was censured and fined \$7,500.

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

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

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

In July 2012, Crowell Weedon, without admitting or denying the allegations, consented to a censure and \$40,000 fine arising from FINRA's allegations that Crowell Weedon failed to require three individuals, in acting supervisory capacities with respect to Crowell Weedon's securities business, to obtain the required Series 24 license, also known as a "General Securities Principal" license. As a condition of the settlement, Crowell Weedon fulfilled its obligation to: (a) ensure that all of the Crowell Weedon's employees were properly registered; (b) ensure that the individuals did not act in a supervisory capacity until they obtained a Series 24 license; and (c) revise the Crowell Weedon's written supervisory procedures, among other things, to clearly designate the individuals responsible for supervision.

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

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



## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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

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

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

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

Where client's make a non-discretionary decision for DIA to serve as the third-party investment manager in the SAM or UMA Programs, the total management fee assessed to the client could be higher than the total fee a client would have paid had they engaged DIA directly to provide investment management services, when considering the fees to be paid to D.A. Davidson and to Envestnet. Further information regarding fees, including the fees charged in the MFP, SAM and UMA Programs, is provided in Item 4 above under Fees.

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

When D.A. Davidson financial professionals refer institutional high net worth clients to DIA to manage assets in its capacity as an independent investment adviser, a portion of the fees that clients pay to DIA (typically, 20%-75%, with the average being 49%) are taken into account when determining the financial professional's compensation. Clients do not pay more for our affiliates' services as a result of the referral from client's financial professional.

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

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

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

Purchasing or recommending the purchase of Davidson Mutual Funds in advisory accounts presents a conflict of interest by retaining more compensation in the D.A. Davidson family of companies. We mitigate this conflict by disclosing it in this Brochure.

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

**Davidson Fixed Income Management.** Davidson Fixed Income Management, Inc. ("DFIM") (doing business as Kirkpatrick Pettis Capital Management, Inc.) serves as the sub-adviser to two Aquila Funds tax exempt mutual funds – the Tax Free Trust of Oregon and the Tax Exempt Fund of Colorado (the "Aquila Funds"). DFIM receives compensation for providing sub-advisory services and this compensation is based on the amounts of assets held in the funds, which increases with any new purchases of shares. The fee arrangement for DFIM's sub-advisory services is disclosed in the Aquila Funds prospectuses. As an Aquila Funds shareholder, a client would pay indirectly a portion of the ongoing expenses of the Aquila Funds and included in these expenses would be the payment to DFIM for its sub-advisory services. This creates a conflict of interest because D.A. Davidson, considered together with our affiliate DFIM, will receive more total compensation if a client selects the Aquila Funds over a fund managed by a third party. To help address this conflict, D.A. Davidson Financial Advisors are generally paid the same amount for selling the Aquila Funds as for any other mutual fund(s), holding all other variables (for example, investment amount, share class, etc.) equal. Aquila Funds are also prohibited from being held in ERISA and IRA accounts.

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

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

Davidson Trust may also administer accounts over which it does not have investment discretion. In such instances, the client may independently choose to hire a D.A. Davidson-related Paragon Manager to provide investment advisory services to the account. In these arrangements, the total fee to the client will include separate charges by Davidson Trust for account administration and by D.A. Davidson for investment advisory services.

**San Pasqual Fiduciary Trust Company ("San Pasqual Trust").** San Pasqual Fiduciary Trust Company ("San Pasqual Trust") is a privately held, California state-chartered financial institution and trust company. Certain D.A. Davidson officers, in their personal capacity, own a minority interest in San Pasqual Trust (the "Davidson Owners"). San Pasqual Trust provides trust administration services and but does not manage trust assets. Instead, the company oversees investment managers managing such assets for and on behalf of their clients. San Pasqual Trust also acts as trustee for certain accounts for which D.A. Davidson provides brokerage or investment advisory services. Financial Advisors may refer clients to San Pasqual Trust for trust services, and San Pasqual Trust may allow the Financial Advisor to continue to manage the client's assets held with D.A. Davidson, but San Pasqual Trust is under no obligation to do so. As a trustee, San Pasqual Trust is also authorized to hire a Financial Advisor to manage a trust's investment assets. Although D.A. Davidson and San Pasqual Trust do not have any fee sharing or referral arrangements, the Davidson Owners and D.A. Davidson could benefit indirectly from referrals by each organization to the other, through the fees retained by the Firm to whom the client is referred. Otherwise, there are no financial incentives for a Financial Advisor to refer a client to San Pasqual Trust, or for San Pasqual Trust to refer a client to D.A. Davidson or a Financial Advisor. In providing investment management services, D.A. Davidson is a fiduciary and is required to act in the best interest of its clients. San Pasqual Trust is also a fiduciary, and similarly has a duty to act in its clients' best interest. San Pasqual Trust has controls in place to provide impartial service, including in relation to the selection and ongoing oversight of investment managers. Accounts for which San Pasqual Trust acts as trustee are custodied at Reliance Trust Company, an FIS Company, which is not affiliated with D.A. Davidson or Davidson Companies.

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

that provide a substantial source of the Financial Advisor's income or involve a substantial amount of the Financial Advisor's time must be disclosed on their Supplemental Brochure (ADV Part 2B).

## CODE OF ETHICS AND PERSONAL TRADING

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

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

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

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

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

**Principal Trading.** Subject to the requirements of applicable laws and regulations, D.A. Davidson may act as principal by purchasing securities for itself from, or selling securities it owns to, an account participating in a Program, but only on a case-by-case basis with advance written authorization from the client, and when it is in the best interest of the client to do so.

In addition to the advisory fee paid by a client, D.A. Davidson may realize profits from principal transactions with a client based on the difference between the price D.A. Davidson paid for the security and the price at which D.A. Davidson sold the security to the client, which may include a mark-up or mark-down from the prevailing market price, an underwriting fee, selling concession, or other incentive to execute the transaction. In trading as principal with a client, D.A. Davidson will have a conflict of interest because it will seek to maximize the benefit for its own account, while also seeking to obtain the best outcome for the client's account. The profit potential referred to above creates an incentive for D.A. Davidson to recommend a transaction in which D.A. Davidson acts as principal. Nonetheless, D.A. Davidson has a fiduciary duty to act in the best interest of clients and to seek to obtain best execution for its advisory clients. Furthermore, D.A. Davidson has adopted internal procedures intended to ensure that D.A. Davidson will not act in a principal capacity for any transaction in an advisory client's account (including an account participating in a Program), unless the terms of the transaction have been disclosed to the client, including the material information regarding D.A. Davidson's or the client's Financial Advisor's financial interest in the transaction, and the client has approved the transaction in writing or the transaction is otherwise allowed by applicable law. Under no circumstances are principal trades and new issues allowed in ERISA or IRA accounts.

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

D.A. Davidson generally prohibits agency cross transactions for advisory clients, including for accounts participating in a Program. In rare instances, an exception may be made when D.A. Davidson determines that each respective transaction is consistent with the client's best interest, and may reduce transaction and market impact costs, 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. In such instances, D.A. Davidson, acting as investment manager, may recommend the sale of securities from an advisory client's account while at or about the same time



recommending the purchase of the same securities for the account of another advisory client under certain conditions, including but not limited to the condition that D.A. Davidson would not receive any compensation from either side of the transaction and therefore not considered to be “acting as a broker” as defined in SEC Rule 206(3)-2 under the Advisers Act. To further address this conflict where the Firm permits a cross transaction, D.A. Davidson will seek to obtain the best execution of the transaction for each advisory client and will effect agency cross transactions only in accordance with the requirements of Rule 206(3)-2 under the Advisers Act, which also requires the client’s informed consent prior to the completion of such transaction. No agency cross transactions may be effected for or on behalf of accounts subject to ERISA, or in IRAs.

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

1. Sell All Scenario. In the event an order is placed to sell all the shares of a position with Fractional Shares the Fractional Shares will be sold from the client’s account into D.A. Davidson’s principal account at the same price and as of the same trade date as the whole shares on the following business day.
2. Orphan Share Scenario. In the event fractional shares arrive in an account after the whole shares are sold or transferred out of the account due to an impending dividend reinvestment payment, the fractional shares will be sold from the client’s account into D.A. Davidson’s principal account at the share’s closing price as of the dividend payment date, on the following business day.
3. Account Transfer Scenario. In the event a position with fractional shares is transferred out of a client’s account a Fractional Share position will remain due to the limitations in the transfer infrastructure. In this case the Fractional Shares will be sold from the client’s account into D.A. Davidson’s principal account as of the review date’s previous business day’s closing price.

## BROKERAGE PRACTICES

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

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

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

**Soft Dollar Benefits.** Soft-dollar arrangements are the practice of paying brokerage firms for products and services such as research through directed trading and commission revenue. When engaging in soft dollar arrangements, investment advisers have a fiduciary obligation to make a good faith determination that any commissions paid by clients due to the directed trading are reasonable in relation to the value of the products and services received on behalf of

the client. In addition, the investment adviser must ensure the soft dollar arrangements meet certain criteria under Section 28(e) of the Securities Exchange Act of 1934 and disclose any soft dollar arrangements to clients. **D.A. Davidson does not have any formal or informal soft dollar arrangements.** However, some third-party investment managers that execute transactions away from D.A. Davidson's trading platform have soft dollar arrangements with the broker-dealers orders are routed to. Please refer to the Transactions Executed Away section below for further information. Clients are also encouraged to carefully review the soft dollar and other related disclosures in the third-party investment manager's Form ADV Part 2A, when applicable to the management of their Program account.

**Payment for Order Flow.** Generally, the term "Payment for Order Flow" refers to payments that brokerage firms receive for routing clients' buy and sell orders to other firms or market centers for execution. D.A. Davidson does not accept cash payments in return for directing client order flow to particular institutions or market centers. However, as a Firm we sometimes accept discounts, rebates, reductions of fees or credits, which are generally based on the overall volume of trading activity that results from sending orders to particular market centers or exchanges.

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

**Order Aggregation.** D.A. Davidson may, but is not required to, aggregate orders for the sale or purchase of the same security, placed on the same day for different client accounts managed under the same Program. This could include proprietary accounts managed under the same Program, such as the Firm's own accounts, accounts of Affiliates, D.A. Davidson employees (e.g. a Financial Advisor's personal account) and/or other persons related to D.A. Davidson. However, D.A. Davidson has controls in place to help ensure client trade allocations are fair and equitable and to prevent an employee/proprietary account from receiving a more favorable allocation than a client's account. Where order aggregation is employed, each account participating in an aggregated transaction will be charged or credited with the average price and, when applicable, it's pro rata allocation of shares. For partial fills of orders in the Paragon Program or Paragon CWAM, Paragon Managers may allocate shares to client accounts randomly or on a pro rata basis but in all cases client accounts receive priority to ensure a fair and equitable allocation and to prevent a proprietary or employee account from receiving a more advantageous allocation. As noted above, there can be no assurance a Financial Advisor will purchase or sell the same securities for all such accounts participating in the same Program at the same time, or that the Financial Advisor will aggregate the client's orders with those of other clients. As a result, the client may receive different prices and executions for the same securities as compared to other clients making the same investment in that security. Orders for Choice Program accounts are not eligible for order aggregation because they are non-discretionary accounts where the Financial Advisor must obtain client's consent before executing a transaction.

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

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

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

## REVIEW OF ACCOUNTS

**Client Account Review.** Accounts of clients participating in a Program are monitored by the client's Financial Advisor and are subject to review by the relevant Branch Office Manager (or his or her designee) (the "Branch Office Manager").

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

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

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

**Performance and Account Reports.** D.A. Davidson generally provides reports to clients on the performance of their Program accounts on a quarterly basis, although performance reporting may not be available for account assets, or available with the same frequency, if they are not custodied at D.A. Davidson. Client performance reports usually include a portfolio valuation and typically show the asset allocation of the client's portfolio, changes in a client's portfolio, and account performance compared to a benchmark market index or indices (such as the S&P 500® Index, or the Barclays Aggregate Bond Index). Market indices or other benchmark returns are shown only for comparison purposes, and may not be directly relevant to the client's assessment of the performance of their Program account. Performance returns reflect transactions costs (including from "step out" trading in the account), the appreciation or depreciation of assets held in the account, and the reinvestment of capital gains, dividends, interest, and other income received in the account.

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

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

## CLIENT REFERRALS

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

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

## OTHER COMPENSATION

**Cash Management Program.** When D.A. Davidson acts as custodian for assets in an account participating in a Program, the Firm utilizes a Cash Management Program, commonly referred to as a “sweep” program, to automatically sweep uninvested cash balances into an interest bearing account (or in limited circumstances to a money market mutual fund) at the end of each business day. Sweeps in a client's account may occur due to, among other things, the sale of securities, dividend payments, interest credited from bonds, and cash balances. Unless client affirmatively elects not to participate in Davidson's Cash Management Program, or are otherwise ineligible to participate in the Bank Insured Deposit Program (“BIDP”), D.A. Davidson's default cash sweep investment option for advisory accounts is the BIDP. ERISA and 403(b) accounts managed on a discretionary basis may not participate in the BIDP and therefore are swept to a money market mutual fund.

Cash balances in the BIDP are automatically custodied by one or more banks not related to D.A. Davidson (collectively “Program Banks”) and are generally eligible for FDIC insurance up to \$4 million per account, in accordance with the terms and conditions of the BIDP and FDIC regulations (the aggregate coverage amount may go up or down from time to time). Cash deposits in any one bank participating in the BIDP are managed so they do not exceed applicable FDIC insurance limits at any single bank (currently \$250,000 or \$500,000 for joint accounts of two or more). Once funds equal to the applicable deposit limit have been deposited in each Program Bank, any additional funds above such deposit limits will be deposited in a money market fund. Client, however, is responsible for monitoring the total amount of deposits (including CDs) client may hold with a bank outside of the BIDP to ensure applicable FDIC insurance limits are not exceeded.

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

Client accounts in a Program that are IRAs participate in the Advisory BIDP. Under the Advisory BIDP, the firm receives a monthly level fee determined partially on a “per account” basis, and partially based on certain interest rates. For Program IRA accounts participating in the BIDP, the Firm's fees, and those paid to its third-party vendor, reduce the interest rates that are credited to client accounts.

Clients should also understand that we charge an asset-based Total Annual Fee on the entire account balance within a Program (including any swept cash), and on the cash in the BIDP, the portion of interest revenue we keep from the Program Banks is an additional fee we receive on top of the Total Annual Fee. With respect to investment advisory accounts, in certain interest rate environments the interest client earns in the BIDP can be less than the advisory fee client pays on those assets. Likewise, D.A. Davidson receives more fees from the Traditional BIDP and Advisory BIDP than from other cash sweep programs, such as the money market mutual funds we offer for cash management purposes.

For these reasons, D.A. Davidson has an incentive to utilize BIDP as the default sweep option, and to encourage clients to use the BIDP, as it increases total revenue to our Firm, and usually increases our Firm's revenue significantly



more than other sweep programs. Likewise, D.A. Davidson has an incentive to maintain more cash in Program accounts, since doing so causes us to receive additional fees on top of the Total Annual Fee. However, Financial Advisors do not receive any portion of this compensation related to our cash sweep program and the cash sweep program option must be selected by the client on a fully disclosed basis. In addition, D.A. Davidson has controls in place to monitor cash positions in Program accounts for suitability with the investment policy, objective or strategy implemented. For the Traditional BIDP, the fee paid to D.A. Davidson may be up to 100% of the amount the Program Bank is willing to pay with respect to funds in the Accounts. The fee varies from Program Bank to Program Bank.

D.A. Davidson receives a level monthly fee for each IRA participating in a Program that utilizes the BIDP (the "IRA Advisory Sweep Fee"). The monthly IRA Advisory Sweep Fee is determined based on the Federal Funds target interest rate expressed in basis points, subject to a maximum of \$14.50 per account. D.A. Davidson's fees in connection with the BIDP will be paid from the total amounts paid by the Program Banks.

Each Program Bank pays interest based on a percentage rate of the daily deposit balances for eligible accounts at that bank. This rate may differ between Program Banks and is generally based on either the Federal Funds effective rate or the London Interbank Offer Rate ("LIBOR") or the Securities Overnight Financing Rate ("SOFR"), plus or minus a "spread". Generally, the yield on Traditional BIDP accounts is equal in aggregate to the gross interest paid by the Program Banks minus a third-party service provider fee and minus the D.A. Davidson fee will be established based on a tier of account balance values ("Interest Rate Tier"). Clients may link their account to other accounts held by them or members of their household as described below. The aggregate balance of all "linked" accounts is referred to as their "Household Balance." Client's Household Balance determines the level of interest paid based on the Interest Rate Tier. In general, clients with greater Household Balances will receive a higher interest rate than clients with lower Household Balances. D.A. Davidson is not responsible for identifying accounts that are eligible to be linked for purposes of determining client's Household Balance. It is client's obligation to notify D.A. Davidson of accounts that should be linked. Clients may contact D.A. Davidson for more information or to give Davidson instructions with respect to linking eligible accounts.

For ERISA, 403(b) advisory accounts and other accounts designated by D.A. Davidson from time-to-time, client will be placed in a money market fund available for the Cash Management Program offered by D.A. Davidson (the "Money Market Fund"). As with BIDP, un-invested cash balances in ERISA and 403b plan accounts are automatically swept into client's Money Market Fund. The Other Mutual Fund Compensation section below also provides further information on compensation paid to D.A. Davidson by the sponsor(s) and distributor(s) of the money market mutual funds offered by D.A. Davidson.

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

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

**Revenue Sharing Arrangements.** Some issuers and sponsors of investments we recommend share with D.A. Davidson a portion of their revenue. These payments, sometimes called "revenue sharing" payments, are usually based on the total amount of sales we make of their investments or the total amount of client assets invested with them. This creates an incentive for our Firm to include on our platform, and encourage the purchase of, investments whose issuers and sponsors share revenue with us, and share more revenue with us than others. D.A. Davidson does not share these payments with our Financial Advisors, to reduce any financial incentive they might have to recommend revenue-sharing investments over others. **A list of the investment product issuers and sponsors who provide D.A. Davidson with revenue sharing payments is furnished in the Exhibit of D.A. Davidson's Regulation Best Interest Disclosures document, and is available upon request.**

**Recordkeeping/Shareholder Servicing Fees.** For some investment products, such as mutual funds, college savings plans and advisory variable annuities, D.A. Davidson receives ongoing fees for recordkeeping and other shareholder or administrative services. For example, D.A. Davidson receive fees in connection with mutual fund investments for sub-accounting and sub-transfer agent services in respect of our clients. The Firm receives these fees for tracking fund ownership among our client accounts, distributing prospectuses, processing transactions on an omnibus basis and similar services. These fees create an incentive for D.A. Davidson to make available on our platform, and encourage the purchase of, investments who pay the Firm for such services, and pay the Firm more than others.



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

**Education and Marketing Support.** Some investment product sponsors contribute to or reimburse D.A. Davidson for the cost of educational events and marketing events for our retail clients and Financial Advisors. Others pay for travel, meals, entertainment and attendance at educational conferences, training events and due diligence trips for our Financial Advisors. These events provide our Financial Advisors with additional opportunities to be educated about services and investments that can be offered to existing and potential clients. Some of these events, which are hosted by D.A. Davidson for our Financial Advisors, are offered in multiple tiers – this means that product sponsors pay different amounts and as a result receive different levels of benefits. For example, these different benefits might include having their speaker at a main session versus a breakout session, a more prominent display in the materials used in connection with the event, etc.

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

**Gifts from Sponsors.** D.A. Davidson Financial Advisors sometimes receive compensation from investment product sponsors that is not in connection with any particular client. This compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting or entertainment event, or reimbursement in connection with educational meetings, client events, or marketing or advertising initiatives, including services for identifying prospective clients. These payments provide an incentive for our Financial Advisors to recommend investment products whose sponsors provide these forms of compensation. To mitigate these incentives, our Firm imposes an internal review and approval process for gifts made to our Financial Advisors.

**Production/Compensation Grid.** The single most important factor affecting client's D.A. Davidson Financial Advisor's cash compensation is the total amount of revenues he or she generates for the Firm, which is sometimes referred to as his or her "production." Specifically, the primary cash compensation we pay to each of our Financial Advisors (which is determined and paid on a monthly basis) is a percentage share of his or her production, which is generally between 25% and 51%. For each of the Firm's Financial Advisors, the exact percentage he or she receives for a given month is determined primarily according to his or her production over the previous six (6) month period, and tenure with our Firm, as set forth in our compensation grid. D.A. Davidson's compensation grid has thresholds or bands that enable the Financial Advisor to increase his or her compensation through an incremental increase in sales.

Commissions and most other transaction-based charges for brokerage services, sales commissions, ongoing payments such as trails and 12b-1 fees, as well as investment advisory fees, generally count toward our Financial Advisors' production. Of course, and as explained previously, the compensation that both the Firm and its Financial Advisors receive is based on these revenues, so we both have a financial incentive to increase those commissions and other payments. However, the Financial Advisor has an additional incentive to maximize their ongoing production, because the higher it is over the previous six (6) month period, the greater percentage share he or she will receive for that current month. Stated simply, increasing his or her production generally entitles the Financial Advisor to receive a larger share of a larger dollar figure. Therefore, the Financial Advisor has a strong financial incentive to recommend frequent and larger trades, investment products and accounts that pay us higher revenues, and additional investments, services and accounts that increase his or her production-eligible revenue.

D.A. Davidson has also adopted and enforces policies and procedures intended to help ensure the Firm and its Financial Advisors comply with our fiduciary duties. In addition, under our compensation grid, the percentage of production that the Financial Advisor will receive as cash compensation is determined on a month-by-month basis over a 6-month lookback period, and the grid includes a number of incremental rate steps. These features are intended to help manage the incremental compensation increases that our Financial Advisors can achieve for discrete sales, or for sales over a short period.

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

that participate in our cash management program, recordkeeping, sub-accounting and other administrative service fees from mutual funds, and certain revenue sharing payments.

**Other Bonuses and Awards.** Financial Advisors are able to earn deferred performance awards of up to 4% of their annual production, which are payable in cash or stock of D.A. Davidson's parent company. Financial Advisors with over seven (7) years' tenure with the Firm can also earn additional loyalty bonuses of up to 3% of their annual production. These awards and bonuses are based largely on each Financial Advisor's tenure with our Firm and production as of the end of a performance measurement period (which is typically September 30, the end of D.A. Davidson's fiscal year). Typically, each Financial Advisor is eligible to receive cash bonuses and awards with respect to any single year that total up to 7% of his or her production.

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

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

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

**New Recruit Incentives.** When some of our Financial Advisors are new recruits to our Firm, we grant them forgivable loans – in other words, loans that can be repaid through bonus payments that these Financial Advisors can earn by remaining employed with our Firm over a period of years (typically nine (9) years). In many cases, for the first year in which a new Financial Advisor is employed with our Firm, we offer him or her a fixed compensation grid, which may be higher than the grid for which he or she otherwise may have qualified. We also offer some new Financial Advisors one of the three following incentives: (i) an increased compensation grid on future advisory fees and commissions if he or she meets certain production goals; (ii) additional forgivable loans if he or she reaches certain production goals; or (iii) additional forgivable loans if he or she brings certain amounts of assets to our Firm.

These incentives encourage Financial Advisors to recommend that clients move additional assets to our Firm (for example, through IRA rollovers) and, for (i) and (ii) above, to recommend higher levels of trading and the purchase of additional and larger investments. These additional forms of compensation are typically earned over the course of a few years where they are tied to performance measures of twelve (12) consecutive month periods, to help reduce the incentive our new recruits might have to achieve large sales volume over shorter periods. Additionally, clients that have an existing relationship with a financial professional who joins our Firm will be furnished with an educational document prepared by FINRA that discusses conflicts of interest resulting from moving their account to our Firm. Also, while new recruits are usually eligible for expense allowances (as described above under "Other Bonuses and Awards"), they typically are not eligible for deferred performance awards while they qualify for a fixed compensation grid, and are not eligible for loyalty bonuses because they have not yet earned seven (7) years' tenure.

**Certain Manager/Regional Director Incentives.** D.A. Davidson's managers, directors and supervisors oversee the sales and marketing activities of our Firm. The compensation of certain managers and regional directors – namely, our Branch Office Managers ("BOMs") and Regional Directors ("RDs") - is tied in part to the production levels of branches or regions over which they have managerial or supervisory responsibility. The tying of BOMs' and RDs' compensation to the production of the branches or regions they supervise incentivizes them to spend more time on increasing production levels than on their supervisory responsibilities. Only BOMs and RDs are compensated in this fashion. Our Firm has other management and supervisory personnel who participate in the supervision and oversight of our branches, regions and Firm generally, and who are not compensated based on production levels. However, the BOMs and RDs have ultimate supervisory and oversight responsibility over their branches or regions.

**Mutual Fund 12b-1 Fees.** As noted above in the Additional Fee Information section of this Brochure, certain mutual fund share classes pay D.A. Davidson a 12b-1 Fee, which is an annual marketing and distribution fee. The payment of this fee creates a conflict of interest for the Firm, because it could cause Financial Advisors to recommend that accounts participating in a Program purchase and hold share classes of mutual funds that pay the 12b-1 Fees rather than share classes of mutual funds that do not pay 12b-1 Fees. Client should be aware that 12b-1 Fees also negatively impact the investment performance of the relevant mutual fund share class, due to the effects of these compounded expenses to the fund over time. However, D.A. Davidson addresses the consequences of this conflict of interest through disclosure of it in this Brochure, and also requires that any new purchases of mutual funds in Program accounts be in a share class that does not pay a 12b-1 Fee whenever such a share class is available to the client. D.A. Davidson

will also pass on and rebate to the client participating in a Program any 12b-1 Fee received by the Firm in connection with mutual fund shares held in that client's account. Additionally, D.A. Davidson uses commercially reasonable efforts to convert any existing Program account mutual fund holdings in a 12b-1 Fee-paying share class to shares of a class that does not pay a 12b-1 Fee, when consistent with the client's investment objectives, asset allocation, and other circumstances.

### FINANCIAL INFORMATION

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

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

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

D.A. Davidson & Co.'s ("D.A. Davidson" or "we") last annual update of this ADV Part 2A-1 Wrap Fee Program Brochure (the "Brochure") occurred on December 21, 2020. The following information discusses the material changes made to the Brochure since the prior annual update. Capitalized terms used but not otherwise defined have the meanings specified in the Brochure. You can obtain a full copy of the Brochure on our website at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) or by contacting your financial advisor.

### We updated Item 4: Services, Fees and Compensation by:

**DOL Fiduciary Duty.** Describing that when certain recommendations are made by D.A. Davidson and your D.A. Davidson financial professional regarding any of your brokerage account(s) or advisory account(s) that are retirement and other qualified accounts, including employer-sponsored plans ("plans"), individual retirement accounts ("IRAs"), SEP IRAs, SIMPLE IRAs, Keogh plans, Coverdell educational savings accounts, and other similar accounts (collectively, "retirement accounts"), they are made in accordance with the DOL Fiduciary Duty and Prohibited Transaction Exemption 2020-02, effective February 1, 2022.

**The Best Interest Standard and Reasonable Compensation.** Describing limitations with regard to the meaning of "best interest" under both the Advisers Act Fiduciary Duty and the DOL Fiduciary Duty and "reasonable compensation" under the DOL Fiduciary Duty.

**Assets Under Management.** Stating that as of September 30, 2021, D.A. Davidson has approximately \$27,232,900,000 in regulatory assets under management for its Programs. Approximately \$23,578,000,000 of which was managed on a discretionary basis and \$3,654,900,000 of which is managed on a non-discretionary basis.

**Portfolio Management Services.** Describing the basis under which D.A. Davidson and its financial professionals would recommend a brokerage account versus an advisory account, as well as a Program, a portfolio and an investment manager within an advisory account. This section also clarifies that the "wrap fee" covers the additional fees paid to third-party model and investment managers utilized in the applicable Program, the Envestnet platform fee, and D.A. Davidson's costs for administering the Program.

**Wrap Fee Programs.** Describing each Program D.A. Davidson offers in further detail with regard to the program features; roles of D.A. Davidson, Envestnet and investment managers; portfolio construction and composition; monitoring and rebalancing; reasonable investment restrictions; and documents client receives.

**Fees.** Clarifying that the Total Annual Fee for each Program is composed of (1) an annual asset-based advisory fee paid to D.A. Davidson ("Davidson Advisory Fee"); and (2) an annual asset-based manager fee paid directly to an investment manager or model provider, which includes a platform fee retained by D.A. Davidson for RMS, SAM and UMA ("Management Fee"). The Davidson Advisory Fee is negotiable up to 1.85% and the Management Fee differs for each Program (with ranges provided in the Brochure). This section also describes the conflicts of interest related to fees and how those conflicts of interest are mitigated.

**Rollovers and Transfers.** Describing the conflicts of interest related to recommending rollovers and transfers from workplace retirement plans or IRAs at other financial service companies to an advisory IRA with the Firm (which earn compensation for the Firm and Financial Advisors in connection with the amount of assets in client's advisory IRA) and how those conflicts of interest are mitigated.

### We updated Item 5: Account Requirements and Types of Clients by:

**Minimum Account Size Requirements.** Clarifying the minimum investment required for each Program and the implications of falling below the minimum.

### We updated Item 6: Portfolio Manager Selection and Evaluation by:

Describing the reviews conducted by D.A. Davidson's senior investment professionals with regard to investment oversight of the Programs.

**Managed Funds Portfolios.** Clarifying the methods of analysis employed to select asset allocations for the MFP Program.

**Russell Investment Model Strategies.** Clarifying the periodic review and oversight that D.A. Davidson conducts for the RMS portfolios.

**Separate Account Management.** Clarifying that criteria used to evaluate Davidson Investment Advisors ("DIA") as a third-party investment manager in the SAM Manager Program and the D.A. Davidson Wealth Management Research Portfolios in the SAM Model Program. This section also describes the methods of analysis used to construct the D.A. Davidson Wealth Management Research Portfolios offered in the SAM Model Program.

**Managed Account Consulting.** Clarifying the criteria used to evaluate the third-party investment managers at the outset and on an ongoing basis within the MAC Program.

**Unified Managed Account.** Describing the methods of analysis used to select mutual funds, ETFs and ETNs for D.A. Davidson's Supervised Mutual Fund and ETF Research List, which are permitted for use in the UMA Program.

**Paragon.** Clarifying the Security and Transaction Parameters for the Paragon Program.

**Paragon CWAM.** Describing the CWAM Portfolios utilized in this Program and the eligibility criteria required of CWAM Managers in providing the CWAM Portfolios. This section also encourages clients enrolled in this Program to discuss these investment strategies, techniques, and methods of analysis deployed/to be deployed for their accounts with the CWAM Manager, whose ADV 2B Brochure Supplement is provided to client. This section also clarifies the Security and Transaction Parameters for the Paragon CWAM Program.

**Calculation and Review of Performance as Part of the Diligence Process.** Clarifying that evaluation of performance as a criteria is conducted for the MFP, RMS, SAM, MAC and UMA Programs. For the Paragon, Paragon CWAM and Choice Programs, performance is available to client in a quarterly performance report, but the Firm does not evaluate the performance in determining whether the Financial Advisor can continue to provide investment management to client.

**Use of Affiliated Funds and Investment Management by Affiliates and Related Persons.** Describing the conflicts of interest related to recommending (i) D.A. Davidson affiliated mutual funds in the Paragon, Paragon CWAM and Choice Programs; (ii) DIA as an investment manager in the SAM Manager and UMA Programs; and (iii) the D.A. Davidson Wealth Management Research Portfolios in the SAM Model and UMA Programs; and how those conflicts of interest are mitigated.

**Risk of Loss.** Describing the following additional risks associated with each type of investment analysis implemented by D.A. Davidson through the Programs: Global Economic Risk, Cybersecurity Risk, Technology Risk and Specific Security Risks.

We updated [Item 7: Client Information Provided to Portfolio Managers](#) by:

Describing how client information is shared with investment managers for each Program based on the roles and responsibilities of D.A. Davidson, Envestnet and the third-party investment manager.

We updated [Item 9: Additional Information](#) by:

**Other Financial Industry Activities and Affiliations.** Clarifying the conflicts of interest associated with (i) referrals made by financial professionals to DIA; and (ii) DIA's role as a third-party investment manager; and how those conflicts of interest are mitigated. This section also removed references to Two Oaks Investment Management, which is no longer owned by registered representatives and investment adviser representatives of D.A. Davidson. This section also clarified that Aquila Funds are prohibited from being held in ERISA and IRA accounts.

**Other Compensation.** Clarifying that with respect to use of the cash management program in investment advisory accounts, in certain interest rate environments, the interest client earns in the Bank Insured Deposit Program can be less than the advisory fee client pays on those assets. This section also clarifies the conflicts of interest related to (i) D.A. Davidson financial professionals and other employees receiving compensation from investment product sponsors; (ii) awards our financial professionals can earn in addition to their production-based compensation; and (iii) the Firm's team formation process (which permits a financial professional to potentially earn compensation based on both their own production and that of their teammates); and how those conflicts of interest are mitigated.