



**D | A | DAVIDSON**

D.A. Davidson & Co. member SIPC

## **Equity Research Services**

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

**D.A. Davidson & Co.  
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Great Falls, MT 59401  
800-332-5915**

[dadavidson.com](http://dadavidson.com)

September 14, 2023

**This brochure (the “Equity Research Services Brochure”) provides information about the qualifications and business practices of D.A. Davidson & Co. (“D.A. Davidson,” the “Firm,” “we,” or “us”) and its Institutional Research department’s equity research services. If you have any questions about the contents of this Equity Research Services Brochure, please contact us at 406-727-4200 or 800-332-5915.**

**The information in this Equity Research Services Brochure has not been approved or verified by the United States Securities and Exchange Commission (“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 is available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). You can search this website by D.A. Davidson’s CRD number, which is 199.**

## Item 2 Material Changes

This Equity Research Services Brochure is the initial filing by D.A. Davidson related to the equity research services provided to institutional clients by the Firm's Institutional Research department.

We may at any time update this Equity Research Services Brochure and will either send you a copy or offer to send you a copy (either electronically or in hard copy) as may be necessary or required. If you would like another copy of this Equity Research Services Brochure, you may download it from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or you may contact us at 406-727-4200 or 800-332-5915 to obtain a copy of it.

## Item 3 Table of Contents

<b>Item 2</b>	<b>Material Changes</b> .....	<b>1</b>
<b>Item 3</b>	<b>Table of Contents</b> .....	<b>2</b>
<b>Item 4</b>	<b>Advisory Business</b> .....	<b>3</b>
	ASSETS UNDER MANAGEMENT .....	3
	DESCRIPTION OF SERVICES .....	3
<b>Item 5</b>	<b>Fees and Compensation</b> .....	<b>5</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side-By-Side Management</b> .....	<b>6</b>
<b>Item 7</b>	<b>Types of Clients</b> .....	<b>6</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	<b>6</b>
<b>Item 9</b>	<b>Disciplinary Information</b> .....	<b>8</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations</b> .....	<b>10</b>
<b>Item 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b> .....	<b>11</b>
<b>Item 12</b>	<b>Brokerage Practices</b> .....	<b>13</b>
<b>Item 13</b>	<b>Review of Accounts</b> .....	<b>13</b>
<b>Item 14</b>	<b>Client Referrals and Other Compensation</b> .....	<b>13</b>
<b>Item 15</b>	<b>Custody</b> .....	<b>13</b>
<b>Item 16</b>	<b>Investment Discretion</b> .....	<b>14</b>
<b>Item 17</b>	<b>Voting Client Securities</b> .....	<b>14</b>
<b>Item 18</b>	<b>Financial Information</b> .....	<b>14</b>

## Item 4 Advisory Business

D.A. Davidson & Co., a wholly-owned subsidiary of D.A. Davidson Companies, a financial services holding company, is a dually-registered investment adviser and broker-dealer with its principal place of business located in Great Falls, Montana. This Equity Research Services Brochure describes the Equity Research Services (defined below) offered to institutional clients of D.A. Davidson (individually, a “Client,” and collectively, “Clients”) through its Institutional Research department. Among other things, this Equity Research Services Brochure includes important information concerning the fees, conflicts of interest, and other information Clients should consider at or prior to entering into an agreement with D.A. Davidson for such equity research services.

The information contained in this Equity Research Services Brochure is current as of the cover date and is subject to change at D.A. Davidson’s discretion. Please retain this Equity Research Services Brochure for your records. You may obtain a copy of this Equity Research Services 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. You may also obtain a copy of this Equity Research Services Brochure and other important disclosures online at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

Through its Wealth Management department, D.A. Davidson offers a variety of investment advisory services to retail and institutional clients, including services not described in this Equity Research Services Brochure, including, for example, discretionary and nondiscretionary investment advice with respect to a client’s investment portfolio and management of portfolio assets, and portfolio management services provided through one or more wrap fee programs (collectively, “D.A. Davidson Investment Management Services”). D.A. Davidson receives a portion of the wrap fee paid by clients for providing portfolio management services under such wrap fee programs. Further, D.A. Davidson offers clients execution of brokerage transactions and administrative services, including, without limitation, custodial client account assets. Clients may also negotiate to receive other services from D.A. Davidson. For more information regarding D.A. Davidson Investment Management Services, including a written description of the services provided and applicable fees (including, without limitation, applicable wrap fees) associated with such other programs, please see D.A. Davidson’s Form ADV Part 2A (the “Firm Brochure”) and Form ADV Part 2A, Appendix 1 (the “Wrap Program Brochure”), respectively, which can be found at <https://dadavidson.com/disclosures>. To the extent that there is any apparent or actual conflict between discussions in this document and similar or related discussions regarding D.A. Davidson Investment Management Services in the Firm Brochure or the Wrap Program Brochure, then the Firm Brochure or Wrap Program Brochure, as relevant, shall govern and control.

### **ASSETS UNDER MANAGEMENT**

The Equity Research Services described in this Equity Research Services Brochure do not involve or require the management of Clients’ assets. Accordingly, no assets of Clients receiving Equity Research Services are included in calculating D.A. Davidson’s regulatory assets under management.

As of August 31, 2023, D.A. Davidson had approximately \$28,756,900,000 in regulatory assets under management, approximately \$25,975,900,000 of which was managed on a discretionary basis, and approximately \$2,781,000,000 of which was managed on a non-discretionary basis.

### **DESCRIPTION OF SERVICES**

#### **Equity Research Services**

D.A. Davidson offers the equity research services described in this Equity Research Services Brochure (collectively, the “Equity Research Services”) to Clients through its Institutional Research department. The Equity Research Services made available to Clients include (but are not limited to) the following:

- equities-based research reports containing discussion and analysis of companies, industries, sectors, markets and macro-economic developments, in each case produced by research analysts in D.A. Davidson’s Institutional Research department;
- other research-related communications and materials from research analysts relating to published research reports and companies covered by research analysts and the securities of such companies, including financial models and other analysis; and
- access to research analysts in connection with industry conferences and calls and meetings with Clients.

In select circumstances, D.A. Davidson may provide customized Equity Research Services as requested by a Client and agreed upon by D.A. Davidson. Any such customized Equity Research Services provided to a particular Client can be expected to vary based upon the Client’s needs, and, may be described in a separate agreement between D.A. Davidson and such Client, if applicable. All references to the agreement for Equity Research

Services included in this Equity Research Services Brochure, including, without limitation, to the scope and nature of services provided under such agreement, if applicable, and the Research Fees to be paid for such services (as described in Item 5), are qualified in their entirety by reference to the terms of each executed agreement, if applicable, governing the relationship between D.A. Davidson and each Client that is a party to such agreement.

Research analysts within D.A. Davidson's Institutional Research department provide Equity Research Services relating to several hundred companies, across four sectors: consumer; financial services; diversified industrial infrastructure; and technology. The scope, nature, and timing of any investment advisory relationship relating to the provision of Equity Research Services is strictly limited to the content of the specific Equity Research Services provided to a Client for which D.A. Davidson receives a Research Fee (as described in Item 5).

Please note that Equity Research Services do not include any services or communications provided by D.A. Davidson's Institutional Equities department, which in addition to the Equity Research Services offers Intuitional Sales, Institutional Trading and Davidson Engage (also referred to as The DEN).

Equity Research Services are solely impersonal investment advice, are intended for general use by a Client, and do not include customized, Client-specific investment advice from or recommendations by D.A. Davidson. Further, while the Equity Research Services provided to a particular Client may vary from the Equity Research Services provided to a different Client, in no instance will D.A. Davidson customize such services to the individual needs of a specific Client. In particular, Equity Research Services are not customized to meet, and do not consider, the specific investment objectives, goals, strategies, financial needs, or risk profile of any Client who receives the Equity Research Services (nor any underlying customers of such Client). Clients must independently evaluate the suitability of the Equity Research Services and the recommendations contained therein to their specific objectives (and to those of any of their underlying Clients), and of the risks and merits of any investment decisions by the Client (for itself or for its underlying customers) that are based on Equity Research Services. The Equity Research Services are not meant to be the primary or sole basis for any investment decision made by a Client (for itself or for its underlying Clients). D.A. Davidson does not undertake to monitor accounts of or investments by Clients in connection with the Equity Research Services.

D.A. Davidson gives investment advice, makes investment recommendations, and otherwise makes investment decisions in the performance of its duties to retail and institutional clients that conflict with or are contrary to the content of the Equity Research Services provided to Clients. Moreover, D.A. Davidson is not obligated to recommend to a Client for purchase or sale any security or other investment that D.A. Davidson purchases or sells for its own account, or for the account of one or more other clients (including, without limitation, to one or more retail clients), or that it has recommended to one or more clients (including, without limitation, one or more retail clients) for purchase or sale by such persons. D.A. Davidson provides Equity Research Services to some Clients that reach conclusions or express views and opinions that are inconsistent with, and which reach different conclusions from, content of Equity Research Services provided to other Clients. Differing opinions and conclusions in the content of Equity Research Services generally reflect the different time frames, assumptions, views, and analytical methods of the various Institutional Research department staff preparing such information, as well as the nature of the request for such Equity Research Services by a particular Client. D.A. Davidson may also favor some Clients over other Clients in various ways, including, without limitation, by favoring Clients that pay higher aggregate fees to D.A. Davidson for Equity Research Services and / or for services in addition to Equity Research Services. For example, Institutional Research department personnel may distribute newly published research, market developments, or information included in other Equity Research Services to one or more Clients before distributing such information to other Clients, and D.A. Davidson may provide certain Clients with preferred or more extensive access to equity research analysts than is provided to other Clients. Such circumstances may result, for example, in a Client being able to take action in response to the content of one or more Equity Research Services before another Client is able to act, which may adversely impact the value of the latter Client's investments or access to investment opportunities, including, without limitation, by causing the latter Client to receive (or that Client's underlying Client to receive) execution prices that are less favorable than prices obtained by D.A. Davidson and its other Clients.

Equity Research Services include perspectives, opinions, analyses, insights, commentaries and outlooks of D.A. Davidson and its analysts within the Institutional Research department, all of which are inherently uncertain and may or may not prove to be correct. To the greatest extent permitted by applicable law, D.A. Davidson and its employees and partners (including, but not limited to, analysts in the Institutional Research department) shall not be liable for any losses, costs, liabilities or expenses suffered by a Client (or by its underlying customers) which may arise directly or indirectly from a Client's use of the Equity Research Services, or any information or data provided therein or otherwise obtained or derived therefrom. This limitation is not meant to constitute a waiver or limitation of any rights accorded to a Client under the applicable securities laws to the extent D.A. Davidson is

deemed an investment adviser when providing the Equity Research Services. A Client is neither required to act on any of the information provided through Equity Research Services nor required to transact business with D.A. Davidson if such Client chooses to utilize any Equity Research Services or implement any strategies, recommendations or other ideas contained within the Equity Research Services. D.A. Davidson is not responsible for the redistribution of information contained within the Equity Research Services and a person's receipt of such information shall not, by itself, be deemed to create an investment adviser-Client relationship between D.A. Davidson and any such person.

D.A. Davidson's investment advisory relationship with a Client receiving Equity Research Services is **strictly limited to** the content of the Equity Research Services actually provided to the Client in exchange for payment of the Research Fee. To the extent that a Client receives research or other advice incidental to brokerage services (such as, for example, in consideration of commissions or other trading-related compensation), the Client should note that such research or advice is not an investment advisory service. See "Additional Service Information – Brokerage and Other Services" below for more information. D.A. Davidson's investment advisory relationship does not extend to non-securities research, economic research, analytics not constituting investment advice, market or other data, corporate access (even if D.A. Davidson receives a fee in exchange for arranging such corporate access), any other communications or content that does not constitute investment advice, including, without limitation, through D.A. Davidson's Institutional Equities department personnel. Any relationship that D.A. Davidson has with a Client as an investment adviser because the Firm has provided Equity Research Services to such Client on payment of the Research Fee is limited to that Client and does not extend to any of such Client's officers, directors, or employees, or to its underlying customers. D.A. Davidson will not be or become a fiduciary to a Client or to a Client's underlying customers for purposes of the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended, except to the extent that D.A. Davidson expressly agrees to do so in a separate written agreement.

In addition, the delivery of Equity Research Services does not include trade execution, trading or brokerage services provided to Clients. Any trades, transactions or orders that may be executed, routed, or otherwise processed through D.A. Davidson on behalf of Clients (or to underlying customers of such Clients) will be handled solely in D.A. Davidson's capacity as a broker-dealer. If a Client engages in securities transactions with D.A. Davidson, we will not be acting as an investment adviser with respect to such securities transactions unless the Client has executed a separate, written agreement in form and substance satisfactory to D.A. Davidson governing such D.A. Davidson Investment Management Services. To the extent that a Client receives research or other advice incidental to brokerage services (including, for example, market color, analysis, perspectives, opinions, commentaries, or ideas provided by the Institutional Research department or the Institutional Equities department) that is in consideration of commissions or other trading-related compensation), then such research or advice is NOT an investment advisory service. Please further note that brokerage services are regulated under different standards than those that apply to investment advisory services and differ, among other things, in terms of the types of investment assistance provided, fees charged, and the rights and obligations of the parties involved.

## Item 5 Fees and Compensation

### **Fees for Equity Research Services**

Fees for Equity Research Services are negotiable and vary among Clients based upon the nature of the Equity Research Services provided and other factors (individually, a "Research Fee," and collectively, "Research Fees"). The amount of the Research Fee and the terms on which it is payable are generally agreed upon by D.A. Davidson and the Client, and are typically paid in arrears. A Client may request that D.A. Davidson provide an invoice relating to payment for Equity Research Services, but we may also send an invoice to the Client relating to such services as and when the Firm deems the use of such invoice necessary. D.A. Davidson generally does not solicit or accept pre-paid Research Fees for providing Equity Research Services.

### **Other Fees and Expenses**

The Research Fees paid to D.A. Davidson by the Client relate only to the Equity Research Services requested by such Client and provided by D.A. Davidson, and are not offset by a Client's payment to D.A. Davidson of any other compensation paid to the Firm by such Client, including, without limitation, the payment by such Client of commissions, mark-ups, mark-downs, advisory fees charged under other D.A. Davidson advisory programs, and other forms of direct or indirect compensation to the Firm relating to trades executed by D.A. Davidson on such Client's behalf. Equity Research Services are limited in duration, commencing on delivery of such services to the Client and terminating on receipt of the Research Fee by D.A. Davidson relating to such services.

Clients may, but are not required to, utilize D.A. Davidson's brokerage services or D.A. Davidson Investment Management Services. If a Client hires D.A. Davidson or an affiliate under a separate, written agreement for the provision of D.A. Davidson Investment Management Services, that Client will pay an investment advisory fee, exclusive of and in addition to any Research Fees payable for the provision of Equity Research Services, and such investment advisory fee typically will be deducted from its assets under management with D.A. Davidson. Should a Client decide to execute trades based on Equity Research Services, and if such Client utilizes D.A. Davidson to execute such trades, then such Client will incur transaction costs (including, without limitation, commissions and mark-ups or mark-downs) and D.A. Davidson will be acting solely as a broker-dealer in connection with such trades. Such transaction fees and costs are exclusive of and in addition to any Research Fees that the Client may owe to the Firm. D.A. Davidson may also receive compensation, exclusive of and in addition to the Research Fees, for providing access to a company's management.

The receipt of additional compensation beyond the Research Fees creates a conflict of interest that gives D.A. Davidson and its representatives an incentive to recommend D.A. Davidson Investment Management Services and D.A. Davidson's brokerage services (in other words, through increasing the aggregate compensation received by the individual making the recommendation, by the Firm (or one or more of its affiliates), or both), rather than basing the recommendation solely on the Client's needs. We address this conflict of interest through disclosure in this Equity Research Services Brochure. In addition, while Institutional Research personnel are not directly compensated derived from the purchase or sale of securities based on content of a particular Equity Research Service or on any revenue generated by D.A. Davidson Investment Management Services, the broader compensation pool for the Institutional Research department is funded in part by D.A. Davidson's overall revenue. Consequently, Institutional Research department personnel are indirectly compensated from the sale of securities referenced in individual or other Equity Research Services. Finally, Clients receiving Equity Research Services have the option to obtain brokerage services and other investment advisory services through broker-dealers and investment advisers not affiliated with D.A. Davidson.

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

D.A. Davidson does not charge or maintain other arrangements involving the payment of performance-based fees in connection with providing Equity Research Services. The recommendations made in connection with the Equity Research Services do not create conflicts of interest associated with side-by-side management of Client accounts (for example, conflicts based on simultaneous management of fee-based and commission-based accounts). However, other D.A. Davidson departments advise or manage other institutional and retail client accounts that are subject to fee arrangements, which pose such conflicts of interest.

## Item 7 Types of Clients

D.A. Davidson provides Equity Research Services to Clients who represent that they have the sophistication, expertise and investment knowledge independent of the assistance of the Firm to evaluate and utilize the Equity Research Services, including, for example, to understand the investment risks associated with making decisions to purchase or sell securities on the basis of the content of such Equity Research Services. Such Clients have generally included, without limitation, mutual funds, investment advisory firms, banks, pension funds, insurance companies and money managers across North America and Europe. As discussed above, in order to receive Equity Research Services, Clients are not required to open or maintain a brokerage account with D.A. Davidson or any of its affiliates.

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

This Item describes the methods of analysis utilized to produce the content of the Research Services referred to in this Equity Research Services Brochure. This Item includes a non-exhaustive description of the material risks associated with a Client's review and use of Equity Research Services to make investment decisions on its own behalf and on behalf of its underlying customers. Clients should understand that investing in any security involves a risk of loss of both income and principal. Risk is inherent in any investment and D.A. Davidson does not guarantee any level of return.

### Rating Information

The Equity Research Services consist of impersonal, non-customized investment advisory services that analyze a broad range of securities and companies. When analyzing a specific company, written research reports provided as part of the Equity Research Services will generally contain one of the three investment ratings summarized

below with respect to the subject company:

- **BUY.** A “BUY” rating means, in the research analyst’s opinion, the subject company is expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months.
- **NEUTRAL.** A “NEUTRAL” rating means, in the research analyst’s opinion, the subject company is expected to produce a total return of -15% to +15% on a risk adjusted basis over the next 12-18 months.
- **UNDERPERFORM.** A “UNDERPERFORM” rating means, in the research analyst’s opinion, the subject company is expected to lose value of over 15% on a risk adjusted basis over the next 12-18 months.

### **Target Prices**

Target prices are based on the Institutional Research department’s evaluation of price potential over the next 12-18 months, based upon the Institutional Research department’s assessment of future earnings and cash flow, comparable company valuations, growth prospects and other financial criteria. Certain risks may impede achievement of these price targets including, but not limited to, broader market and macroeconomic fluctuations and unforeseen changes in the subject company’s fundamentals or business trends. Inherent in each target price are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield.

### **Material Risks**

All investments in securities involve a risk of loss of all or a portion of the investment, and Clients should be prepared to accept such risks when subscribing for Equity Research Services. Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions or other events could each have a significant impact on the valuation of securities. Securities may also decline in value due to factors affecting securities markets in general or industries represented in the securities markets. The value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The value of a security may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. During a general downturn in securities markets, including, without limitation, those unrelated to financial markets (such as a global pandemic), multiple asset classes may decline in value simultaneously. The securities of small- to mid-sized companies can present higher risks than do securities of larger-capitalization companies, including, for example, more erratic earning patterns, more limited earnings history, reliance on one or a limited number of products, and less liquidity. Investments in non-U.S. securities involve not only the risks associated with equity investments but additional risks including, without limitation, government intervention and market disruption; market volatility due to adverse political, regulatory, market or economic developments internationally; exposure to material changes in interest rates, fluctuations in currency exchange rates; and economic and political risks (all of which are magnified in emerging markets).

In addition to the risks summarized above, the following describes the material risks associated with or limitations on the reliability of the methods of analysis described in this Equity Research Services Brochure.

Accuracy of Data. The securities analysis methods utilized by the Institutional Research department assume that the companies whose securities trade in the markets and the rating agencies that review these securities communicate and utilize accurate and unbiased data, and that other publicly available sources of information on which the Institutional Research department bases its analytical conclusions are accurate and unbiased. While we attempt to remain alert to indications that these sources of data may be incorrect, there is always a risk that D.A. Davidson’s analysis is compromised by inaccurate or misleading information.

Quantitative Analysis. Quantitative analysis uses complex mathematical models and statistics to analyze past events to formulate investment analyses and opinions about security performance (or larger market movements) in the future. There are numerous risks associated with the use of quantitative analysis to produce such analyses and opinions, including, without limitation, 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 to produce such analyses and opinions are incomplete.

Qualitative Analysis. Qualitative analysis involves the analysis of unquantifiable information, including, without limitation, decisions by a subject company’s board and management, to evaluate investment opportunities in that company’s securities. A risk in using qualitative analysis is that the Institutional Research department’s subjective analysis of the information is proven to be incorrect.



Technical Analysis. The Institutional Research department generally incorporates technical analysis factors (i.e., the analysis of historical and current market data) into its institutional research. Technical analysis is subject to numerous risks, including, without limitation, that unexpected fundamental factors or other factors may dominate the market during certain periods, or that the premise that past market conditions are indicative of future market prices proves to be inaccurate. The influx of different market participants, structural changes in the markets, the introduction of new financial products, and other developments could materially adversely affect the profitability of investments made based upon technical analysis.

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, including those independent of the intrinsic valuation of one or more securities in the Client's account.

Equity Securities Risks. Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets in general, including, without limitation, adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Equity securities may also lose value because of factors affecting an entire industry or sector, such as, for example, increases in production costs, or factors directly related to a specific company (e.g., decisions made by its management).

Common Stock-Specific Risks. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of issuers change. These investor perceptions are based on various and unpredictable factors including, without limitation, expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political events, such as, for example, economic and banking crises. In addition, holders of common stocks are generally subject to greater risk than holders of preferred stocks and debt obligations of the same issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders and other creditors.

Industry/Sector Risks. An investment in one or more securities operating in an individual industry or sector is subject to industry-specific risks. Any factors detrimental to the performance of such industries as a whole will disproportionately impact investment returns of these securities. Investments focused in a particular industry are subject to greater risk and are more impacted by volatility than less concentrated investments.

#### **Equity Research Services Risks; Risk of Loss**

D.A. Davidson believes that the sources of information used by the Firm to produce the content of the Equity Research Services referred to in this Equity Research Services Brochure are reliable, but D.A. Davidson does not guaranty the accuracy, reliability, completeness, timeliness or fitness for any particular purpose of such underlying information, any of the information included in any Equity Research Services, or of any of the Equity Research Services. The information, conclusions and opinions in any such Equity Research Services may be inaccurate or incorrect. Moreover, any opinions expressed in any of the Equity Research Services are based on D.A. Davidson's interpretation of data available to the Firm at the time of the original publication of each such Equity Research Service. These opinions are subject to change at any time without notice. Clients should also understand that inherent in investments are the risks of materially fluctuating prices and the uncertainties of dividends, rates of return and yield, and other risks summarized in this Equity Research Services Brochure. Clients should be prepared to accept such risks when basing an investment decision on information, opinions, or conclusions included in the Equity Research Services, including, without limitation, the risk that an investment will lose all or substantially all of its value. Clients should further understand that the past performance of an investment is not necessarily an indicator of the future performance of that investment, and D.A. Davidson makes no guarantee, express or implied, as to any such future performance.

## **Item 9 Disciplinary Information**

The following is a summary of certain adverse disciplinary events relating to D.A. Davidson, its management, and affiliates that the Firm believes may be material to a prospective Client's decision regarding whether to subscribe for Research Services. Certain of the disclosures below relate to disciplinary events that occurred with predecessor firms, which 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 [adviserinfo.sec.gov](http://adviserinfo.sec.gov). As mentioned elsewhere in this Equity Research

Services Brochure, a Client may search that website 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 Investment Advisers Act of 1940 (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 Investment Company Act of 1940 (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 the Financial Industry Regulatory Authority ("FINRA") that it failed to apply available mutual fund share class sales charge waivers to eligible brokerage accounts of retirement and charitable organizations, 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 "MDCD Order") was issued. The SEC MDCD 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 (Securities Exchange Act Rule 15c2-12 violations). 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 MDCD 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 MDCD 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 findings by FINRA that it violated best execution and standards of commercial honor and just and equitable 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 law, 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.

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

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 regarding whether to retain D.A. Davidson to provide Research 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 foregoing conduct to constitute separate and distinct violations of NASD Rules 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.

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

Prior to its acquisition by D.A. Davidson Companies, SMITH HAYES also participated in 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 (Securities Exchange Act Rule 15c2-12 violations). The 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.

## **Item 10 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., a federally-registered investment adviser, 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 an investment adviser. Persons engaged by D.A. Davidson to provide advisory services (including, without limitation, through one or more wrap fee programs) (collectively, "Financial Advisors") are registered as investment adviser representatives in each state where such registration is required. Many such Financial Advisors are also registered representatives of D.A. Davidson in its capacity as a broker-dealer. When acting as a broker-dealer, such Financial Advisors provide brokerage and related services to retail and institutional clients, including, among other things, 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 Research Services summarized in this Equity Research Services Brochure. See the D.A. Davidson Regulation Best Interest Disclosure at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for more information about the brokerage services provided by D.A. Davidson.

**Davidson Investment Advisors ("DIA").** DIA provides fee-based investment management services to retail and institutional clients. These services include, without limitation, portfolio management, investment advice, consulting services, performance reporting services, and related account services. Financial Advisors may refer clients that meet certain minimum account size requirements to DIA in its capacity as an investment adviser. Financial Advisors may also recommend DIA as an investment manager in certain investment management programs sponsored by D.A. Davidson (collectively, the "IM Programs"). Additionally, DIA creates certain model

portfolios for D.A. Davidson's use in one or more IM Programs. Further, D.A. Davidson serves as the broker-dealer and custodian for certain DIA clients.

**Davidson Trust Company.** Davidson Trust provides professional trust administration services, including, among others, recordkeeping, income distribution, bill-paying, and general account administration. Financial Advisors may refer retail and institutional clients to Davidson Trust. In addition, Davidson Trust may elect to hire DIA or one or more investment managers identified by D.A. Davidson as the investment adviser to certain retail and institutional client accounts over which Davidson Trust has investment discretion. Davidson Trust may also administer accounts over which it does not have investment discretion, and in such instances, the retail or institutional client may independently choose to hire an investment manager identified by D.A. Davidson to provide investment advisory services to the account.

**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 retail and institutional 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 retail and institutional clients to San Pasqual Trust for trust services, and in these arrangements San Pasqual Trust may allow the Financial Advisor to continue to manage the client's assets held with D.A. Davidson, although 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. 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 D.A. Davidson Companies.

**Concordant Partners, LLC.** D.A. Davidson acts as investment manager to Concordant Partners, LLC, a private fund restricted to sophisticated, qualifying investors and not required to be registered with the SEC as an investment company under the Company Act.

For more information regarding the investment management services provided by D.A. Davidson, including, without limitation, the material terms and requirements of the investment services and programs that it offers and sponsors (including, without limitation, wrap programs), as well as the compensation terms of such programs (including, without limitation, fee-sharing provisions of D.A. Davidson's relationship with DIA and with Davidson Trust, and the conflicts of interest associated with such investment services and programs), please see the Firm Brochure and the Wrap Program Brochure, which can be found at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures). For more information regarding the investment management services provided by DIA, including, without limitation, the material terms and requirements of the investment services and programs that it offers and sponsors (including, without limitation, wrap programs), as well as the compensation terms of such programs (including, without limitation, fee-sharing provisions of DIA's relationship with D.A. Davidson and Davidson Trust, and the conflicts of interest associated with such investment services and programs), please see DIA's Form ADV Part 2A and Form ADV Part 2A, Appendix 1, which can also be found at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures).

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

### Other Conflicts of Interest

D.A. Davidson is a diversified financial services company that directly or through affiliates provides a wide variety of investment banking, securities, wealth management and other investment-related services to a broad array of clients. These relationships could give rise to potential conflicts of interest. Potential conflicts of interest for the Equity Research Program can include, but are not limited to the following:

- when a research analyst or a member of the research analyst's household has a financial interest in the debt or equity securities of the subject company (including, without limitation, whether it consists of any option, right, warrant, future, long or short position);
- when D.A. Davidson or its affiliates beneficially own any class of common equity securities of the subject company;
- when D.A. Davidson, or any of its officers own options, rights or warrants to purchase any of the securities of the subject company, unless the extent of such ownership is nominal;
- when a research analyst received compensation that is based upon (among other factors) D.A. Davidson's investment banking revenues; or from the subject company in the past 12 months;

- when D.A. Davidson or its affiliates:
  - managed or co-managed a public offering of securities for the subject company in the past 12 months;
  - received compensation for investment banking services from the subject company unless such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the subject company; or
  - expects to receive or intends to seek compensation for investment banking services from the subject company unless such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the subject company;
- when, as of the end of the month immediately preceding the date of publication of a research report (or the end of the second most recent month if the publication date is less than 30 calendar days after the end of the most recent month), or to the extent the research analyst or an employee of the firm with the ability to influence the substance of the Research Report knows:
  - D.A. Davidson received any compensation for products or services other than investment banking services from the subject company in the past 12 months; or
  - The subject company currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of D.A. Davidson. In such cases, the research report must disclose whether the types of services provided to the subject company were investment banking services, non-investment banking securities-related services, or non-securities services. This disclosure need not be made if such disclosure would reveal material non-public information regarding specific future potential investment banking transactions of the subject company;
- when, to the extent the research analyst or an employee of the firm with the ability to influence the substance of a research report knows or has reason to know, an affiliate of D.A. Davidson, received any compensation for products or services other than investment banking services from the subject company in the past 12 months. In such cases, the research analyst or employee shall report that knowledge to the Legal Department or Compliance Department. No further research reports shall be issued until adequate disclosures are included with the research report. For purposes of this potential risk factor, the “knows or has reason to know” language is intended to require disclosure of those material conflicts of interest of which the research analyst has actual knowledge, as well as those conflicts that should be reasonably discovered in the ordinary course of business. It does not impose a duty on a research analyst to inquire concerning confidential, non-public material information protected by D.A. Davidson’s information barrier procedures;
- when the research analyst or member of a research analyst’s household serves as an officer, director or advisory board member of the subject company, or if an officer or director of D.A. Davidson is a director of a corporation whose security is being recommended;
- when D.A. Davidson was making a market in the subject company’s securities at the time that the research report was published; and
- any other actual, material conflict of interest of the research analyst or D.A. Davidson of which the research analyst knows or has reason to know at the time of publication of the research report or at the time of the public appearance.

As noted elsewhere in this Equity Research Services Brochure, D.A. Davidson offers to institutional and retail clients other investment products and services, including, without limitation, investment management and other products and services that are investment advisory in nature, and which are not described in this document. These investment products and services are sources of additional compensation to the Firm. However, it is not a condition or a requirement for Clients subscribing for Equity Research Services to accept such services from D.A. Davidson or from any affiliate of D.A. Davidson.

### **Trading Restrictions; Material Non-Public Information**

D.A. Davidson and its affiliates, by reason of its and their respective broker-dealer and investment management activities, may from time to time acquire information deemed confidential, material and nonpublic, about companies or other entities and their securities. Under these circumstances, D.A. Davidson (and one or more of its affiliates) will be prohibited by applicable law or agreements from disclosing such information to Clients or acting upon such information. In this sense, these other broker-dealer and investment management activities present a potential conflict of interest because such activities may limit D.A. Davidson’s ability to provide the Equity Research Services.

### **Code of Ethics and Personal Trading**

D.A. Davidson addresses the conflicts of interest summarized above through disclosure in this Equity Research Services Brochure, through adopting and implementing its Code of Ethics, and through distributing its Code of



Ethics, at the time of hire and semi-annually thereafter. D.A. Davidson provides annual training and monitors employee activity on an on-going basis.

First, the Firm 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 (including, without limitation, employees in the Institutional Research department) (collectively referred to as "Access Persons"). Among other things, the Code of Ethics communicates the Firm's fiduciary obligations when dealing with advisory clients, imposes and explains rules related to trading by Access Persons 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 Access Persons, to: provide investment advice in the advisory client's best interest; seek to obtain best execution of securities transactions in advisory client accounts; and have a reasonable, independent basis for investment recommendations. Access Persons 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 advisory 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 Access Persons from placing personal transactions ahead of advisory client transactions in the same security on the same day as he or she placing a trade in an advisory client's account. An exception to this policy is permitted when the Access Person's account is managed in the same manner as other advisory 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 at 406-727-4200 or 800-332-5915.

D.A. Davidson has also implemented certain policies and procedures relating to D.A. Davidson's and its associates' trading activities that are designed to prevent them from improperly benefiting from the Equity Research Services. In addition, D.A. Davidson's Compliance Department monitors the personal trading activities of all the Firm's associates providing the Equity Research Services.

## Item 12 Brokerage Practices

Providing Equity Research Services to a Client does not require that D.A. Davidson make investment decisions for, or execute securities transactions on behalf of, such Client's account.

## Item 13 Review of Accounts

A Client is not required to open an account with D.A. Davidson to subscribe for and receive Equity Research Services. In addition, providing Equity Research Services to a Client does not require that D.A. Davidson execute securities transactions for or on behalf of such Client, manage such Client's account(s), or provide personalized investment advice customized to or based on such Client's financial profile, investment objective(s) or existing portfolio(s). Accordingly, providing Equity Research Services to a Client does not require that D.A. Davidson at any point review such Client's account.

## Item 14 Client Referrals and Other Compensation

D.A. Davidson does not compensate any person for referring a Client that subscribes for Equity Research Services. As discussed above, the broader compensation pool for the Institutional Research department is funded in part by the Firm's receipt of Research Fees, revenue from activities conducted and overseen by D.A. Davidson's Equity Capital Markets department, and D.A. Davidson's overall revenue, including, without limitation, brokerage commissions. Clients receiving Equity Research Services have the option to obtain brokerage services and other investment advisory services through broker-dealers and investment advisers not affiliated with D.A. Davidson.

## Item 15 Custody

D.A. Davidson does not have custody of client funds or securities in connection with providing Equity Research Services.

## Item 16 Investment Discretion

D.A. Davidson does not have or exercise discretionary authority to buy or sell securities for such Client's account when providing Equity Research Services.

## Item 17 Voting Client Securities

Providing Equity Research Services to a Client does not authorize D.A. Davidson to vote proxies in connection with any securities owned by such Client.

## Item 18 Financial Information

D.A. Davidson is not aware of any financial condition that is reasonably likely to impair the Firm's ability to meet its contractual obligations to its Clients, nor has it been the subject of a bankruptcy petition at any time during the past ten years.