

Mutual Fund Investing Important Disclosures for D.A. Davidson Clients

The following provides you with information relating to the relationships with and compensation that D.A. Davidson and its Financial Consultants may have or earn from mutual funds made available to D.A. Davidson clients.

Available Information Concerning Mutual Fund Investing. There are many different factors to consider in selecting a mutual fund and we encourage you to contact your Financial Consultant to discuss the mutual fund that is most suitable to you. Please see our [Financial Insight](#) article titled “[Mutual Funds Offer Efficiency, Diversification](#)” which offers a discussion of certain factors, including a fund’s expense ratio, choice of mutual fund share class and pricing and breakpoint efficiencies that may be available to you.

Compensation D.A. Davidson and its Financial Consultants Receive from the Sale of Mutual Funds. Individual mutual fund families and funds within a mutual fund family vary in the forms and amounts of compensation they may provide to D.A. Davidson and its Financial Consultants. Notwithstanding differences among funds, D.A. Davidson compensates its Financial Consultants in a manner that is designed to be mutual fund neutral so that its Financial Consultants are not encouraged to sell one particular fund over another solely on the basis of the compensation they may receive. The compensation received by D.A. Davidson from the sale of mutual fund products does not differ from what is disclosed in the particular mutual fund’s prospectus.

D.A. Davidson and its Financial Consultants receive compensation when clients invest in mutual funds in several ways as summarized below:

1. **Sales Charges.** An initial sales charge is incurred by the client when Class “A” mutual fund shares are purchased. That amount generally ranges from 1.0% to 5.75% of the amount the client invests. At the time of the purchase, D.A. Davidson is paid some or all of this sales charge depending on the particular fund family. Other mutual fund share classes, including Class “B” and “C” classes, do not impose an initial sales charge. While the client does not pay any initial sales charge at the time of purchase of “B” and “C” shares, D.A. Davidson is paid an amount ranging from 1.0% to 4.0% of the amount invested by the client from the fund distributor. To cover the amount paid to D.A. Davidson, the fund distributor typically imposes a contingent deferred sales charge on the client if the mutual fund shares are sold within a certain period of time following the purchase. In addition, the so-called “12b-1 fees” imposed on Class “B” and “C” shares are typically higher to help offset the compensation paid to D.A. Davidson at the time of purchase (see the discussion in paragraph 2 below).

While the amount of any compensation described in this paragraph 1 may vary by individual fund, the amounts received by D.A. Davidson are shared with your Financial Consultant in the same percentage without any differentiation based on the individual fund involved.

2. **Asset-Based Distribution/Service Fees (12b-1 Fees).** Generally, these fees are taken out of a mutual fund's assets to cover a fund's marketing and distribution expenses. 12b-1 Fees reduce the overall returns of the particular mutual fund and are disclosed in a fund's prospectus. These fees are shared between D.A. Davidson and the fund's distributor as set forth in the prospectus.

For Class "A" shares, the typical annual 12b-1 Fee is equal to 0.25% of the fund's total assets. Almost the entire fee applicable to mutual fund shares held by D.A. Davidson clients is paid to D.A. Davidson during the period in which shares are held by Davidson clients. For Class "B" and "C" shares, the typical annual fee is equal to 1.0% of the fund's total assets, 0.25% of which is paid to D.A. Davidson and the remaining 0.75% of which is paid to the fund's distributor.

Like sales charges, some funds impose higher or lower 12b-1 Fees than others and as a result, D.A. Davidson and a Financial Consultant may receive more or less compensation depending on the particular fund. D.A. Davidson shares 12b-1 Fees with its Financial Consultants whose clients hold the mutual funds shares without any differentiation based on the particular fund held.

3. **Sub-Accounting Related Services.** D.A. Davidson receives compensation directly from the mutual fund when providing sub-accounting and other related administrative services with respect to each mutual fund position. These services include processing purchases, redemptions and exchanges, dividend reinvestment, tax reporting and other recordkeeping services. Financial Consultants do not receive any portion of these fees received by D.A. Davidson.

Davidson currently has networking arrangements with the following mutual funds pursuant to which it receives a per account fee for providing the sub-accounting related services: AIM Funds, Alliance Funds, American Funds, Blackrock Funds, Evergreen Funds, Fidelity Advisors, Franklin/Templeton Funds, Hartford Funds, John Hancock Funds, Lord Abnett Funds, MFS Funds, Oppenheimer Funds, Pioneer Funds, Putnam Funds, DWS Scudder Funds, Sun America Funds, and Van Kampen Funds. This compensation is on a per account basis and is not related to assets held in a fund.

4. **Fee-Based Accounts/Programs.** Clients may purchase mutual funds through various fee-based programs available at Davidson. These programs offer clients the choice of paying an asset-based fee instead of paying a sales charge on the purchase or sale of mutual fund shares. In addition to the asset-based fee, D.A. Davidson and its Financial Consultants may receive 12b-1 Fees from mutual funds held in a client's account. Those 12b-1 Fees do not offset the fee the client pays in a fee-based account, except in certain situations involving ERISA or similar accounts. D.A. Davidson shares 12b-1 Fees with its Financial Consultants whose clients hold mutual funds shares without any differentiation based on the particular fund held.

Apart from the fees described above, D.A. Davidson has not entered into any separate agreements with mutual fund companies pursuant to which it receives any asset- or sales-based financial payments. Further, while D.A. Davidson maintains a Supervised Recommended List of Mutual Funds, it does not receive any payment from any fund for the purpose of including that fund on that list.

If you have questions about the compensation D.A. Davidson or your Financial Consultant receives from the sale of mutual funds, please contact your Financial Consultant.

Education/Conference Sponsorships by Mutual Funds. Representatives of fund companies work with D.A. Davidson and its Financial Consultants to promote their funds. Consistent with FINRA rules, representatives of mutual fund companies may pay or make contributions to D.A. Davidson for training and education seminars for D.A. Davidson employees, clients, potential clients, or due diligence meetings regarding their funds. In 2008, the following mutual funds sponsored or contributed to the sponsorship of educational meetings for D.A. Davidson Financial Consultants: AIG SunAmerica Mutual Funds, AIM-Invesco, Allianz, American Century Investments, American Funds, Davis Advisors, Delaware Investments, First American Funds, Hartford Mutual Funds, Janus Capital Group, JennisonDryden, John Hancock Funds, JP Morgan Asset Management, Lord Abbett, Mainstay, Optique Capital, Pioneer Investments, Principal Financial, Russell Investments, Rydex Investments, T. Rowe Price, Thornburg Investment Management, and Vanguard.. Neither D.A. Davidson nor its Financial Consultants receive any extra commission for selling these funds and conferences and seminars are not made available to Financial Consultants based on sales of products offered by the funds. In addition, in connection with their marketing efforts, mutual fund wholesalers may take and, in some cases pay for, individuals or groups of Financial Consultants to attend or participate in events or activities, including lunches or dinners.

Money Market Fund Products. For a description of fees D.A. Davidson may receive from money market mutual fund products, please read see “Money Market Funds, Important Disclosures for D.A. Davidson & Co. Clients.”

Institutional Relationships with Mutual Fund Companies. Please note that D.A. Davidson and its affiliates may provide other services for which they receive compensation from mutual fund companies. These services could include (but are not necessarily limited to) securities and industry research, institutional trading and execution services, and effecting securities transactions for funds and other clients. There is no connection between any institutional relationship that D.A. Davidson may have with a mutual fund and the marketing and sale of any mutual fund to its retail clients.

Information on a specific mutual fund and its policies regarding the above topics can be found in the prospectus and Statement of Additional Information (SAI) available for each mutual fund. If you have any further questions please do not hesitate to ask your Financial Consultant. For additional information on mutual funds in general you can visit educational websites of the Securities and Exchange Commission (www.sec.gov); the Financial Industry Regulatory Authority (www.finra.org); and the Securities Industry and Financial Markets Association (www.sifma.com).