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**FORM ADV Uniform Application for Investment Adviser Registration**

**Part II - Page 1**

|   |   |
|---|---|
| Name of Investment Adviser:<br>Davidson Capital Mangement, Inc.   |   |
| Address: (Number and Street) (City) (State) (Zip Code)<br>5656 South Staples, Suite 370, Corpus Christi, Tx 78411 | Area Code: Telephone Number<br>361-906-0070 |

This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any government authority.

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

|  |                               |                    |
|--|-------------------------------|--------------------|
| Applicant:<br>Davidson Capital Mangement, Inc. | SEC File Number:<br>801-60519 | Date:<br>1/31/2010 |
|--|-------------------------------|--------------------|

**1. A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

**Applicant:**

- (1) Provides investment supervisory services..... 99 %
- (2) Manages investment advisory accounts not involving investment supervisory services..... \_\_\_\_\_ %
- (3) Furnishes investment advice through consultations not included in either service described above..... \_\_\_\_\_ %
- (4) Issues periodicals about securities by subscription..... \_\_\_\_\_ %
- (5) Issues special reports about securities not included in any service described above..... \_\_\_\_\_ %
- (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... \_\_\_\_\_ %
- (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities..... \_\_\_\_\_ %
- (8) Provides a timing service..... \_\_\_\_\_ %
- (9) Furnishes advice about securities in any manner not described above..... 1 %

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

**B.** Does the applicant call any of the services it checked above financial planning or some similar term?  Yes  No

**C.** Applicant offers investment advisory services for: (check all that apply)

- (1) A percentage of assets under management
- (2) Hourly charges
- (3) Fixed fees (not including subscription fees)
- (4) Subscription fees
- (5) Commissions
- (6) Other

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- A. Individuals
- B. Banks or thrift institutions
- C. Investment companies
- D. Pension and profit sharing plans
- E. Trusts, estates, or charitable organizations
- F. Corporations or business entities other than those listed above
- G. Other (describe on Schedule F)

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |   |  |
|---|--|
| <p>A. Equity Securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input checked="" type="checkbox"/> (3) foreign issues</p> <p><input checked="" type="checkbox"/> B. Warrants</p> <p><input checked="" type="checkbox"/> C. Corporate debt securities<br/>(other than commercial paper)</p> <p><input checked="" type="checkbox"/> D. Commercial paper</p> <p><input checked="" type="checkbox"/> E. Certificates of deposit</p> <p><input checked="" type="checkbox"/> F. Municipal securities</p> <p>G. Investment company securities</p> <p><input type="checkbox"/> (1) variable life insurance</p> <p><input type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input checked="" type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Futures contracts on:</p> <p><input type="checkbox"/> (1) tangibles</p> <p><input type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input type="checkbox"/> (1) real estate</p> <p><input type="checkbox"/> (2) oil and gas interests</p> <p><input type="checkbox"/> (3) other (explain on Schedule F)</p> <p><input type="checkbox"/> L. Other (explain on Schedule F)</p> |
|---|--|

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

## A. Applicant's security analysis methods include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input checked="" type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input checked="" type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |   |

## B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input checked="" type="checkbox"/> Timing services   |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input checked="" type="checkbox"/> Other (explain on Schedule F)   |

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input checked="" type="checkbox"/> Other (explain on Schedule F)  |
| (4) <input checked="" type="checkbox"/> Short sales  |  |

|  |                               |                    |
|--|-------------------------------|--------------------|
| Applicant:<br>Davidson Capital Mangement, Inc. | SEC File Number:<br>801-60519 | Date:<br>1/31/2010 |
|--|-------------------------------|--------------------|

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes  No   
(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name • formal education after high school
- year of birth • business background for the preceding five years

**7. Other Business Activities.** (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency                           |
| <input type="checkbox"/> (4) financial planning firm   | <input checked="" type="checkbox"/> (10) pension consultant                        |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes  No

(If yes, describe on Schedule F the partnerships and what they invest in.)

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services Yes No  
and impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Accounts will be reviewed by the account manager when variables change. The sequence of review will generally give priority to fundamental considerations which might cause risk of capital.

B. Describe below the nature and frequency of regular reports to clients on their accounts.

Printed reports which give a summary of account holdings, transactions, and performance will be furnished to clients on a quarterly basis. In addition, reports which give summary of account holdings, realized gains & losses, and performance will be furnished to clients through our web site on a weekly basis.

For our 401K clients, the 3rd party administrator will provide quarterly statements to the employer and employees. DCM will provide semi -annual or annual group meetings with the employer and employees.

**12. Investment or Brokerage Discretion.**

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- |  |                                     |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Yes                                 | No                                  |
| (1) securities to be bought or sold? .....               | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| (2) amount of the securities to be bought or sold? ..... | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| (3) broker or dealer to be used? .....                   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| (4) commission rates paid? .....                         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |

- B. Does applicant or a related person suggest brokers to clients? .....  Yes  No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions.

If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   |                                     |                          |
|---|-------------------------------------|--------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... | Yes                                 | No                       |
|   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? .....  | Yes                                 | No                       |
|   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
  - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? .....  Yes  No

**Schedule F of  
FORM ADV  
Continuation Sheet for Form ADV Part II**

|                                |                                |                    |
|--------------------------------|--------------------------------|--------------------|
| Applicant:<br>Davidson Capital | SEC File Number:<br>801- 60519 | Date:<br>1/31/2010 |
|--------------------------------|--------------------------------|--------------------|

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

|  |                                     |
|--|-------------------------------------|
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br>Davidson Capital Management, Inc. | IRS Empl. Ident. No.:<br>75-2301796 |
| <b>Item of Form</b><br>Answer  |                                     |

**Item 1. A. (1)**

Davidson Capital Management's (DCM's) activities include the management on a discretionary basis of client's investments based on the client's individual needs in the areas of fixed income, equity, and mutual fund investments.

DCM's fee schedules are as follows:

**INDIVIDUALLY MANAGED ACCOUNT FEE SCHEDULES**

*Bonds Only* (Corporate bonds or Municipal bonds)

First \$500,000 0.80% of Assets Annually  
Next \$500,000 0.70%  
Next \$2 Million 0.60%  
Thereafter 0.50%

*Stocks & Bonds* (Includes individually selected bonds or bond mutual funds)

First \$500,000 1.00% of Assets Annually  
Next \$500,000 0.90%  
Next \$2 Million 0.80%  
Thereafter 0.70%

Minimum Account Size \$500,000

**ASSET BUILDER ACCOUNT FEE SCHEDULE**

First \$500,000 1.00% of Assets  
Next \$500,000 0.90%  
Next \$2 Million 0.80%  
Thereafter 0.70%

Minimum Account Size \$100,000

**HORIZON INCOME ASSURED ACCOUNT FEE SCHEDULE**

First \$1 Million 0.50% of Assets Annually  
Next \$4 Million 0.40%  
Thereafter 0.25%

Minimum Account Size \$100,000

Management fees under the Individually Managed, Asset Builder, or Horizon Income Assured account Fee Schedules are computed based upon the market value of assets managed at the close of each calendar quarter. All management fees are payable quarterly in advance.

Clients that invest in mutual funds should understand that each mutual fund manager charges fees and expenses to manage the client's assets that are in addition to the investment management fees charged by DCM. The fees and expenses charged by each mutual fund manager are beyond the control of DCM. In addition, the custodian of each client's account may charge a transaction fee for the purchase or sale of some mutual funds selected by DCM. These transaction fees are beyond the control of DCM.

**Schedule F of  
FORM ADV**

**Continuation Sheet for Form ADV Part II**

|                                |                                |                    |
|--------------------------------|--------------------------------|--------------------|
| Applicant:<br>Davidson Capital | SEC File Number:<br>801- 60519 | Date:<br>1/31/2010 |
|--------------------------------|--------------------------------|--------------------|

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

|  |                                     |
|--|-------------------------------------|
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br>Davidson Capital Management, Inc. | IRS Empl. Ident. No.:<br>75-2301796 |
| <b>Item of Form</b><br>Answer  |                                     |

If management of the client's assets under the Individually Managed, Asset Builder, or Horizon Income Assured accounts is terminated by either party, a refund prorated from the date of termination to the end of the quarter will be made to the client for fees not earned by the manager. The termination date in terms of management fees due may be later than the actual date of written termination notice due to the fact that all Investment Management Contracts with DCM require at least 30 days notice before management fees cease accruing.

**401(k) PLAN ADVISORY FEE SCHEDULE**

|                                  |                          |
|----------------------------------|--------------------------|
| First \$1 Million in Plan Assets | 0.90% of Assets Annually |
| Next \$5 Million in Plan Assets  | 0.70%                    |
| Next \$5 Million in Plan Assets  | 0.50%                    |
| Thereafter                       | 0.30%                    |

Minimum Annual Management Fee \$2,000

Fees are paid quarterly in advance. This fee is in addition to the 401(k) third party administrator's annual asset fee(s) as outlined in their 401(k) program agreement and the management fees and expenses charged by the individual mutual funds in the 401(k) plan. Both the fees and expenses charged by the third party administrator and the mutual funds are beyond the control of DCM.

**Item 1. A. (9)**

John E. Davidson, W. Jeffrey Davidson, and J. Kyle Davidson, conduct a live radio show called "MoneyWise with Davidson Capital Management" on KKTX 1360 AM in Corpus Christi, Texas, every Saturday from 12pm-2pm CST. KKTX 1360 AM is owned by Clear Channel Communications, Inc. The show provides information on various investment and financial planning topics. The investment and financial planning information does not purport to meet the needs of each individual participant who either calls-in or sends an email. The show is designed to provide listeners with general investment and financial planning information. Listeners can participate in the show through live telephone calls or by sending an email. Davidson Capital Management (DCM) maintains archive recordings of the radio show on its website [www.davidsoncap.com](http://www.davidsoncap.com) and also archives all email communications related to the show. DCM compensates Clear Channel Communications, Inc. for this activity.

**Item 4. A. (5)**

For equity securities a database screen is used to identify those companies which merit further screening. From the eligible list, portfolios will be constructed using a proprietary grid ranking system which is sensitized to risk, economic, and cyclical considerations. Fixed income securities are selected based on our forecast of future interest rates, credit rating, and maturity. Mutual funds are selected based on proprietary screens of the entire mutual fund universe. We screen mutual funds using criteria such as investment style, portfolio manager tenure, fees and expenses, and long-term performance.

**Item 4. B. (8)**

The principal sources of information to be used in equity, fixed income and mutual fund research are print and online databases that contain fundamental investment variables for individual companies. DCM also obtains information from financial newspapers and magazines, and other sources offering information relevant to potential investments.

**Item 4. C. (7)**

DCM uses a long term investment strategy with adjustments in client holdings being made when valuation changes occur, which cause holdings to become either overvalued or undervalued.

For our equities and fixed income portfolios, DCM uses a quality oriented, disciplined, long term approach to identify

**Schedule F of  
FORM ADV  
Continuation Sheet for Form ADV Part II**

|                                |                                |                    |
|--------------------------------|--------------------------------|--------------------|
| Applicant:<br>Davidson Capital | SEC File Number:<br>801- 60519 | Date:<br>1/31/2010 |
|--------------------------------|--------------------------------|--------------------|

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

|  |                                     |
|--|-------------------------------------|
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br>Davidson Capital Management, Inc. | IRS Empl. Ident. No.:<br>75-2301796 |
| <b>Item of Form</b><br>Answer  |                                     |

those companies whose fundamentals cause them to have greater growth potential than the marketplace as a whole. The same disciplined approach will be used to sell those holdings which have become overpriced.

Fixed income portfolios are constructed around a high quality core holding of investment grade government, agency, and corporate bonds. The remainder of the portfolio is invested longer or shorter term based upon interest rate forecasts. For our Horizon Income Assured Account clients portfolios are constructed using only United States Treasury Bonds, Notes, or Bills.

Mutual fund portfolios are created using proprietary screens of the entire mutual fund universe. We screen mutual funds based on criteria such as investment style, portfolio manager tenure, fees and expenses, and long-term performance.

**Item 5.**

DCM requires that those persons involved in determining or giving investment advice possess a BBA degree as well as at least five years of investment experience.

**Item 6.**

John Edward Davidson

January 7, 1945

BBA University of Texas 1967

MBA Corpus Christi State University 1977

- 1989-Present Davidson Capital Management, Inc.  
President/Owner
- 1987-1989 Lomas Capital Management  
Vice President/Portfolio Manager
- 1984-1987 First City Bank of Dallas  
Senior Vice President/Senior Trust Investment Officer

William Jeffrey Davidson

June 1, 1966

BBA North Texas State University 1988

MBA Texas A&M University - Corpus Christi 1994

- 1992-Present Davidson Capital Management, Inc.  
Vice President/Chief Compliance Officer/Owner
- 1988-1992 Norwest Financial Texas, Inc.  
Branch Manager

John Kyle Davidson

November 12, 1975

BBA Southwest Texas State University 1998

- 2005-Present Davidson Capital Management, Inc.  
Vice President/Owner
- 2002-2005 ADP Retirement Services  
Regional Channel Manager
- 1999-2002 Alliance Capital Management  
Associate Wholesaler

**Schedule F of  
FORM ADV**

**Continuation Sheet for Form ADV Part II**

|                                |                                |                    |
|--------------------------------|--------------------------------|--------------------|
| Applicant:<br>Davidson Capital | SEC File Number:<br>801- 60519 | Date:<br>1/31/2010 |
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

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| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br>Davidson Capital Management, Inc. | IRS Empl. Ident. No.:<br>75-2301796 |
| <b>Item of Form</b><br>Answer  |                                     |

1998-1999 New York Life Insurance Company  
Agent

**Item 8. C. (10)**

DCM has contracted with Daily Access Corporation (The TPA), to act as third party administrator to 401(k) plans where DCM will act as a consultant to the plan sponsors' participants. DCM will use its proprietary method of selecting mutual funds to create a list of 15 mutual funds available for investment in each 401(k) plan. Plan participants can design their own 401(k) portfolio the following ways. (1) Plan participants can select from one of the five risk-based portfolio models designed by DCM which will contain pre-set allocations of mutual funds from the list of 15 mutual funds available. (2) Plan participants can design their own asset allocation from the preselected list of mutual funds. (3) Plan participants can create a combination of both (1) & (2). DCM & the TPA's will assist the plan sponsor in drafting an Investment Policy Statement (IPS) and provide ongoing monitoring of the mutual funds in the 401(k) plan to ensure compliance with the IPS. The mutual funds available are continually reviewed by DCM. When any of the mutual fund (s) fail to meet the investment standards outlined in the IPS, recommendations for replacement mutual fund(s) will be made. DCM and the TPA's will provide plan design and implementation and ERISA consultation. The TPA's will offer administration, recordkeeping and communication to the plan's participants. The TPA's offer a menu of employee education and communication materials, quarterly statements, online participant support at the TPA's websites, interactive voice response (IVR) telephone systems, including Spanish versions, and customized enrollment materials.

**Item 9. Code of Ethics**

DCM's Code of Ethics (The Code) establishes rules of conduct for all employees of DCM and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that DCM and its employees owe a fiduciary duty to DCM's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by DCM continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

Pursuant to Section 206 of the Investment Advisers Act of 1940 (Advisers Act), both DCM and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that DCM has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

DCM and its employees are subject to the following specific fiduciary obligations when dealing with clients: (1) The duty to have a reasonable, independent basis for the investment advice provided; (2) The duty to obtain best execution for a client's transactions where the Firm is in a position to direct brokerage transactions for the client; (3) The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances; and (4) A duty to be loyal to clients.

In meeting its fiduciary responsibilities to its clients, DCM expects every employee to demonstrate the highest standards of ethical conduct for continued employment with DCM. Strict compliance with the provisions of the Code shall be considered a basic condition of employment with DCM.

A complete copy of DCM's Code of Ethics is available to existing or prospective clients on our website at [www.davidsoncap.com](http://www.davidsoncap.com) or on request.

**Schedule F of  
FORM ADV  
Continuation Sheet for Form ADV Part II**

|                                |                                |                    |
|--------------------------------|--------------------------------|--------------------|
| Applicant:<br>Davidson Capital | SEC File Number:<br>801- 60519 | Date:<br>1/31/2010 |
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

|  |                                     |
|--|-------------------------------------|
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br>Davidson Capital Management, Inc. | IRS Empl. Ident. No.:<br>75-2301796 |
| <b>Item of Form</b><br>Answer  |                                     |

**Item 10.**

Accounts that invest in individual securities are subject to the Individually Managed Account Fee Schedule and are required to invest at least \$500,000 to open an account. DCM reserves the right to combine multiple accounts to determine if minimum investment requirements are met.

Clients invested in the Horizon Income Assured account must make a minimum initial deposit of \$100,000 and the account must have no less than \$100,000 invested at any time. Additional deposits or withdrawals from this account must be at least \$50,000.

Accounts that invest in mutual funds are subject to the Asset Builder Account Fee Schedule and are required to invest at least \$100,000 to open an account. DCM reserves the right to combine multiple accounts to determine if minimum investment requirements are met.

There are no minimum asset requirements for the 401(K) Plan Investment Advisory Service

DCM reserves the right to waive minimum investment requirements for any investment account at our discretion.

**Item 12. A. (1,3,4), 12. B. & 13. A.**

DCM may recommend and/or require that clients establish brokerage accounts with the Schwab Institutional Division of Charles Schwab & Co., Inc. (Schwab) a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although DCM may recommend and/or require that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. DCM is independently owned and operated and not affiliated with Schwab.

Schwab provides DCM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon DCM committing to Schwab any specific amount of business (assets in custody or trading). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For DCM's client accounts maintained in Schwab's custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to DCM other products and services that benefit DCM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of DCM's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist DCM in managing and administering clients' accounts includes software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; (iii) provide research, pricing information and other market data; (iv) facilitate payment of DCM's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help DCM manage and further develop its business

**Schedule F of  
FORM ADV  
Continuation Sheet for Form ADV Part II**

|                                |                                |                    |
|--------------------------------|--------------------------------|--------------------|
| Applicant:<br>Davidson Capital | SEC File Number:<br>801- 60519 | Date:<br>1/31/2010 |
|--------------------------------|--------------------------------|--------------------|

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

|  |                                     |
|--|-------------------------------------|
| I. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV:<br>Davidson Capital Management, Inc. | IRS Empl. Ident. No.:<br>75-2301796 |
| <b>Item of Form</b><br>Answer  |                                     |

enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay for these types of services rendered to DCM by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to DCM. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of DCM personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, DCM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Our past experience with Schwab has demonstrated their integrity in the marketplace, reputation, confidentiality, financial stability, reliability, accurate record keeping, and back office services.

DCM may from time to time aggregate client security orders. DCM, or persons associated with DCM, or entities controlled by DCM will not be favored by DCM over any other client and each client who participates in an aggregated security order will receive the same average security price. By aggregating all our trades through Schwab Institutional, DCM is able to negotiate reduced commission costs for all clients. Schwab Institutional's back-office support works in conjunction with DCM's portfolio management system to deliver reduced overhead costs enabling DCM to reduce overall management fees charged to our clients. If the client does not specify otherwise, DCM will direct all of the client's security transactions through Schwab Institutional.

Clients should understand that if they wish to direct or they are required to direct their security transactions through a broker-dealer other than Schwab Institutional, DCM may or may not charge additional management fees or expenses to compensate for increased overhead expenses that may be required to direct trades through the client's selected broker-dealer.

Brokerage firms are considered based upon the value of research provided, execution capability, commission rate, financial responsibility, responsiveness to DCM and its clients, and other factors which DCM deems appropriate. The determinative factor is not necessarily the lowest possible commission, but whether each security transaction represents the best qualitative execution for the client's account.

**DCM receives no compensation whatsoever in choosing any broker-dealer. DCM does not share in any commission or fee charged by any broker-dealer to any client account.**

**Item 12. A. (2)**

The amount of securities bought or sold in any asset class (stocks, bonds, cash, or other asset class) for any client will be based on the client's overall investment strategy and aggregate portfolio value.

**Item 13. B.**

DCM has entered into an agreement with W. Gary Whittington ("Whittington") who is independent and unaffiliated with DCM to participate in a referral program. This agreement provides that for each prospective client referred to DCM by Whittington that subsequently becomes a client, DCM agrees to pay Whittington a referral fee equal to twenty percent (20%) of the advisory fee charged to the client by DCM for as long as DCM is the client's investment adviser and Whittington abides by the provisions of the referral agreement contract between DCM & Whittington. Referral fees are paid to Whittington on a quarterly basis. DCM has agreed not to charge advisory clients introduced by Whittington fees or costs greater than the fees or costs DCM charges its advisory clients who were not introduced by Whittington and who have similar portfolios under management with DCM.