

# DISCRETIONARY ACCOUNT AGREEMENT

The Undersigned hereby employs Davidson Capital Management, Inc. (DCM) as Investment Manager of the portfolio commencing at the opening of business on \_\_\_\_\_ under the following terms and conditions:

The Undersigned places under the management of DCM such assets as the Undersigned may from time to time designate, hereinafter called the "Portfolio". DCM agrees to manage such Portfolio in accordance with the provisions hereof, subject at all times to the investment objectives established by the Undersigned, with respect to which the Undersigned shall keep DCM promptly informed.

DCM shall give the Portfolio the benefit of DCM's professional review of economic conditions, securities markets, industries and companies, and be prepared to discuss with the Undersigned from time to time pertinent conclusions DCM has reached. DCM shall render to the Undersigned quarterly appraisals summarizing the types and values of the assets in the Portfolio. The Undersigned recognize that DCM's opinions, recommendations, and actions will be based on information deemed by DCM to be reliable, but not guaranteed to or by DCM. The Undersigned agree that DCM will not in any way be liable for any loss incurred by reason of any error of judgment or anything done or omitted by DCM under this Agreement so long as DCM has acted in good faith, and if negligence, willful or reckless misconduct or violation of applicable law is not involved. DCM is specifically prohibited from receiving any of the Undersigned's stocks, bonds, other securities, investments or cash and is also prohibited from authorizing any disposition thereof except to the Undersigned or its custodian with the Undersigned's permission.

The powers of DCM shall include, without limitation, the power to buy, sell, exchange, convert and otherwise trade in any stocks, bonds, or mutual funds and to place orders for the execution for such security transactions with or through such brokers, dealers, or issuers for such service and compensation as DCM may deem appropriate. Written notices of such purchases, sales, exchanges, or conversions will be made to the Undersigned by the custodian. Officers and employees of DCM may from time to time own the same securities that the Undersigned owns. DCM is also authorized to give instructions to any custodian of the Portfolio as agent and attorney in fact for the Undersigned.

The Undersigned recognizes that the brokerage firm(s) chosen by DCM will be generally screened and used on the basis of best execution and/or research services rendered. DCM derives no economic benefit whatsoever from the choice of a particular security, custodian, or brokerage firm. If the Undersigned directs DCM to use a specific security broker(s) to execute transactions in the Undersigned's portfolio, the Undersigned agrees not to hold DCM responsible for commissions charged to the Undersigned's account if they are higher than what DCM could obtain from another security broker(s). The Undersigned understands that the commissions charged by security broker(s) are subject to change from time to time and are beyond the control of DCM.

DCM shall be compensated solely on management fees payable quarterly in advance based upon the attached Fee Schedule and the value of the Undersigned's assets at the beginning of each

calendar quarter. A copy of the Fee Schedule, current as of the date of execution of this agreement, is attached hereto. Any changes to the Fee Schedule shall be disclosed in writing to the Undersigned at least thirty days prior to the end of the calendar quarter. Other fees may be charged by the custodian for their services. These fees may change from time to time and are beyond the control of DCM. If the Undersigned's assets are invested in mutual funds the Undersigned understands that each individual mutual fund charges a management fee for their services which will be debited from the net asset value of each individual mutual fund. The management fees charged by the individual mutual funds are subject to change from time to time and are beyond the control of DCM.

This Agreement shall continue in effect without formal action by either party from month to month. The Undersigned or DCM may terminate this agreement upon thirty days written notice by either a letter delivered by postal mail, fax, or email to DCM's office. Verbal notice is not sufficient; however, DCM will accept a verbal termination notice as the date of termination of this agreement provided the Undersigned delivers the required written notice within 48 hours to DCM's office. If the Undersigned's account is jointly owned, either party may terminate this agreement in writing. If the Undersigned's assets are transferred from DCM's custodian to a custodian not recognized by DCM or if the Undersigned terminates DCM's Power of Attorney with DCM's custodian, DCM will assume that this Agreement is terminated on the day the assets are transferred or the Power of Attorney is terminated. The Undersigned will be entitled to a prorated refund of management fees paid to DCM after the thirty-day notice period elapses. If there are less than 30 days remaining in the quarter when the Undersigned terminates this agreement, DCM shall be entitled to 30 days of management fees beginning the next business day following the date of termination based on the value of the portfolio as of the close of business on the day of termination less any credit for management fees already paid but not yet earned beginning the next business day following the date of termination. If termination notice is received on a weekend day or market holiday this agreement will be deemed to be terminated as of the close of business on the previous business day. DCM may waive its right to management fees due after termination notice is received at its own discretion.

The Undersigned understands that DCM may be acting in a similar capacity for other institutional or individual clients and the investments and reinvestments for the Undersigned's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar.

The Undersigned acknowledge(s) receipt of Part II of Form ADV, Privacy of Consumer Financial Information Disclosure, Proxy Voting Policies Disclosure, and Anti-Money Laundering Disclosure. If the appropriate disclosure statements were not delivered to the Undersigned within 10 business days from the date DCM begins managing the Undersigned's assets, the Undersigned has the right to terminate this contract without penalty within 15 business days from the date DCM begins managing the Undersigned's assets. For the purposes of these provisions, a contract is considered entered into when all parties to the contract have signed the contract and assets have been received by the custodian. The date that DCM begins managing the Undersigned's assets is the same date contained in Paragraph 1 on Page 1 of this agreement.

This agreement may not be assigned by DCM without the Undersigned written consent, but may be amended at any time by mutual agreement in writing. It is understood that this Agreement will be governed by and construed under and in accordance with the laws of the State of Texas.

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Title of Account

“Undersigned”

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Account Holder

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Joint Account Holder

The foregoing Agreement is hereby accepted and agreed to this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_\_.

Davidson Capital Management, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

# FEE SCHEDULE

## INDIVIDUAL STOCKS AND/OR BONDS

### **BONDS ONLY** (Corporate bonds or Municipal bonds)

First \$500,000	.80% of Assets
Next \$500,000	.70% of Assets
Next \$2 Million	.60% of Assets
Thereafter	.50% of Assets

### **STOCKS & BONDS** (Includes individually selected bonds or bond mutual funds)

First \$500,000	1.00% of Assets
Next \$500,000	.90% of Assets
Next \$2 Million	.80% of Assets
Thereafter	.70% of Assets

*Fees are payable quarterly, in advance.*

## INDIVIDUAL MUTUAL FUNDS

First \$500,000	1.00% of Assets
Next \$500,000	.90% of Assets
Next \$2 Million	.80% of Assets
Thereafter	.70% of Assets

*Fees are paid 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 Davidson Capital Management, Inc. The fees and expenses charged by each mutual fund manager are beyond the control of Davidson Capital Management, Inc.*

# **PRIVACY OF CONSUMER FINANCIAL INFORMATION DISCLOSURE**

## **Policy**

As a registered investment adviser, Davidson Capital Management, Inc. (DCM) must comply with SEC Regulation S-P (or other applicable regulations), which requires registered advisers to adopt policies and procedures to protect the “nonpublic personal information” of natural person consumers and customers and to disclose to such persons policies and procedures for protecting that information. Nonpublic personal information includes nonpublic “personally identifiable financial information” plus any list, description or grouping of customers that is derived from nonpublic personally identifiable financial information. Such information may include personal financial and account information, information relating to services performed for or transactions entered into on behalf of clients, advice provided by DCM to clients, and data or analyses derived from such nonpublic personal information. DCM must also comply with the California Financial Information Privacy Act (SB1) if the firm does business with California consumers.

## **Background**

The purpose of these privacy policies and procedures is to provide administrative, technical and physical safeguards which assist employees in maintaining the confidentiality of nonpublic personal information collected from the consumers and customers of an investment adviser. All nonpublic information, whether relating to an adviser's current or former clients, is subject to these privacy policies and procedures. Any doubts about the confidentiality of client information must be resolved in favor of confidentiality.

## **Responsibility**

W. Jeffrey Davidson is responsible for reviewing, maintaining and enforcing these policies and procedures to ensure meeting DCM's client privacy goals and objectives while at a minimum ensuring compliance with applicable federal and state laws and regulations. W. Jeffrey Davidson may recommend to the President any disciplinary or other action as appropriate. W. Jeffrey Davidson is also responsible for distributing these policies and procedures to employees and conducting appropriate employee training to ensure employee adherence to these policies and procedures.

## **Procedure**

DCM has adopted various procedures to implement the firm's policy and reviews to monitor and insure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

### ***Non-Disclosure of Client Information***

DCM maintains safeguards to comply with federal and state standards to guard each client's nonpublic personal information. DCM does not share any nonpublic personal information with any nonaffiliated third parties, except in the following circumstances:

- As necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over DCM, or as otherwise required by any applicable law; and
- To the extent reasonably necessary to prevent fraud and unauthorized transactions.

Employees are prohibited, either during or after termination of their employment, from disclosing nonpublic personal information to any person or entity outside DCM, including family members, except under the circumstances described above. An employee is permitted to disclose nonpublic personal information only to such other employees who need to have access to such information to deliver our services to the client.

### ***Safeguarding and Disposal of Client Information***

DCM restricts access to nonpublic personal information to those employees who need to know such information to provide services to our clients.

Any employee who is authorized to have access to nonpublic personal information is required to keep such information in a secure compartments or receptacle on a daily basis as of the close of business each day. All electronic or computer files containing such information shall be password secured and firewall protected from access by unauthorized persons. Any conversations involving non public personal information, if appropriate at all, must be conducted by employees in private, and care must be taken to avoid any authorized persons overhearing or intercepting such conversations.

Safeguarding standards encompass all aspects of the DCM that affect security. This includes not just computer security standards but also such areas as physical security and personnel procedures. Examples of important safeguarding standards that DCM may adopt include:

- Access controls on customer information systems, including controls to authenticate and permit access only to authorized individuals and controls to prevent employees from providing customer information to unauthorized individuals who may seek to obtain this information through fraudulent means (e.g. requiring employee use of user ID numbers and passwords, etc.);
- Access restrictions at physical locations containing customer information, such as buildings, computer facilities, and records storage facilities to permit access only to authorized individuals (e.g. intruder detection devices, use of fire and burglar resistant storage devices);
- Encryption of electronic customer information, including while in transit or in storage on networks or systems to which unauthorized individuals may have access;

- Procedures designed to ensure that ensure that customer information system modifications are consistent with the firm's information security program(e.g. independent approval and periodic audits of system modifications);
- Dual control procedures, segregation of duties, and employee background checks for employees with responsibilities for or access to customer information (e.g. require data entry to be reviewed for accuracy by personnel not involved in its preparation; adjustments and correction of master records should be reviewed and approved by personnel other than those approving routine transactions, etc.);
- Monitoring systems and procedures to detect actual and attempted attacks on or intrusions into customer information systems (e.g. data should be auditable for detection of loss and accidental and intentional manipulation);
- Response programs that specify actions to be taken when the firm suspects or detects that unauthorized individuals have gained access to customer information systems, including appropriate reports to regulatory and law enforcement agencies;
- Measures to protect against destruction, loss, or damage of customer information due to potential environmental hazards, such as fire and water damage or technological failures (e.g. use of fire resistant storage facilities and vaults; backup and store off site key data to ensure proper recovery); and
- Information systems security should incorporate system audits and monitoring, security of physical facilities and personnel, the use of commercial or in-house services (such as networking services), and contingency planning.

Any employee who is authorized to possess "consumer report information" for a business purpose is required to take reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal. There are several components to establishing 'reasonable' measures that are appropriate for the firm:

- Assessing the sensitivity of the consumer report information we collect;
- The nature of our advisory services and the size of our operation;
- Evaluating the costs and benefits of different disposal methods; and
- Researching relevant technological changes and capabilities.

Some methods of disposal to ensure that the information cannot practicably be read or reconstructed that DCM may adopt include:

- Procedures requiring the burning, pulverizing, or shredding of papers containing consumer report information;
- Procedures to ensure the destruction or erasure of electronic media; and
- After due diligence, contracting with a service provider engaged in the business of record destruction, to provide such services in a manner consistent with the disposal rule.

### ***Privacy Notices***

DCM will provide each natural person client with initial notice of the firm's current policy when the client relationship is established. DCM shall also provide each such client with a new notice

of the firm's current privacy policies at least annually. If DCM shares nonpublic personal information relating to a California consumer with an affiliated company under circumstances not covered by an exception under SB1, the firm will deliver to each affected consumer an opportunity to opt out of such information sharing. If, at any time, DCM adopts material changes to its privacy policies, the firm shall provide each such client with a revised notice reflecting the new privacy policies. The Compliance Officer is responsible for ensuring that required notices are distributed to the DCM's consumers and customers.

# PROXY VOTING

## **Policy**

Davidson Capital Management, Inc., (DCM) as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

## **Background**

Proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised. Investment advisers registered with the SEC, and which exercise voting authority with respect to client securities, are required by Rule 206(4)-6 of the Advisers Act to (a) adopt and implement written policies and procedures that are reasonably designed to ensure that client securities are voted in the best interests of clients, which must include how an adviser addresses material conflicts that may arise between an adviser's interests and those of its clients; (b) to disclose to clients how they may obtain information from the adviser with respect to the voting of proxies for their securities; (c) to describe to clients a summary of its proxy voting policies and procedures and, upon request, furnish a copy to its clients; and (d) maintain certain records relating to the adviser's proxy voting activities when the adviser does have proxy voting authority.

## **Responsibility**

W. Jeffrey Davidson has the responsibility for the implementation and monitoring of our proxy voting policy, practices, disclosures and record keeping, including outlining our voting guidelines in our procedures.

## **Procedure**

DCM has adopted procedures to implement the firm's policy and reviews to monitor and insure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

## **Voting Procedures**

- All employees will forward any proxy materials received on behalf of clients to W. Jeffrey Davidson;
- W. Jeffrey Davidson will determine which client accounts hold the security to which the proxy relates;

- Absent material conflicts, W. Jeffrey Davidson will determine how DCM should vote the proxy in accordance with applicable voting guidelines, complete the proxy and vote the proxy in a timely and appropriate manner.

## **Disclosure**

- DCM will provide conspicuously displayed information in its Disclosure Document summarizing this proxy voting policy and procedures, including a statement that clients may request information regarding how DCM voted a client's proxies, and that clients may request a copy of these policies and procedures.
- W. Jeffrey Davidson will also send a copy of this summary to all existing clients who have previously received DCM's Disclosure Document; or W. Jeffrey Davidson may send each client the amended Disclosure Document. Either mailing shall highlight the inclusion of information regarding proxy voting.

## **Client Requests for Information**

- All client requests for information regarding proxy votes, or policies and procedures, received by any employee should be forwarded to W. Jeffrey Davidson.
- In response to any request W. Jeffrey Davidson will prepare a written response to the client with the information requested, and as applicable will include the name of the issuer, the proposal voted upon, and how DCM voted the client's proxy with respect to each proposal about which client inquired.

## **Policy Statement**

DCM is adopting these proxy voting policies and procedures (the "Policies and Procedures") in order to comply with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended and its associated record-keeping requirements.

The Policies and Procedures apply to those client accounts (i) that contain voting securities; and (ii) for which DCM has authority to vote client proxies. The Policies and Procedures will be reviewed and, as necessary, updated periodically to address new or revised proxy voting issues. Other, similar rights such as consent rights shall be evaluated on a case by case basis.

Pursuant to the Policies and Procedures and its fiduciary duties DCM will vote client proxies as part of its authority to manage, acquire and dispose of account assets. When voting proxies for client accounts, the DCM's primary objective is to make voting decisions solely in the best interests of clients and beneficiaries and participants of benefits plans for which we manage assets. In fulfilling its obligations to clients, the DCM will act in a manner deemed to be prudent and diligent and which is intended to enhance the economic value of the underlying securities held in client accounts. In certain situations, a client or its fiduciary may provide DCM with a statement of proxy voting policy. In these situations, DCM seeks to comply with such policy to the extent it would not be inconsistent with applicable regulation or the fiduciary responsibility of DCM

## General Proxy Voting Guidelines

It is the policy of DCM in voting proxies to consider and vote each proposal with the objective of maximizing long-term investment returns for its clients. To ensure consistency in voting proxies on behalf of its clients, DCM utilizes the proxy voting guidelines (the "Proxy Voting Guidelines") set forth below. These guidelines address a broad range of issues, including board size and composition, executive compensation, anti-takeover proposals, capital structure proposals and social responsibility issues.

### Management Proposals

- A. The following management sponsored proposals are usually voted *in support* of management.
1. Approval of auditors and financial statements
  2. Election of Directors
  3. Requirement that at least 51% of its Board's members be comprised of independent and unaffiliated Directors
  4. Requirement that the majority of members of the company's compensation committee, and 100% of members of the company's nominating and audit committees, be comprised of independent or unaffiliated Directors
  5. Recommendations to set retirement ages or require specific levels of stock ownership by Directors
  6. General updating/corrective amendments to the charter
  7. Elimination of cumulative voting
  8. Elimination of preemptive rights
  9. Provisions for confidential voting and independent tabulation of voting results
  10. Proposals related to the conduct of the annual meeting except those proposals which relate to the "transaction of such other business which may come before the meeting"
  11. Capitalization changes which eliminate other classes of stock and voting rights
  12. Proposals to increase the authorization of existing classes of stock if: (i) a clear and legitimate business purpose is stated and (ii) the number of shares requested is reasonable in relation to the purpose for which authorization is requested
  13. Proposals for share repurchase plans, unless it appears that a repurchase plan lacks a bona fide business purpose
  14. Proposals to affect stock splits unless such a split would be contrary to shareholders' best interests
  15. Proposals to effect reverse stock splits if management proportionately reduces the authorized share amount set forth in the corporate charter. Reverse stock splits that do not adjust proportionately to the authorized share amount will generally be approved if the resulting increase in authorized shares coincides with the proxy guidelines set forth above for common stock increases
  16. Director fees unless the amounts are excessive relative to other companies in the country or industry
  17. Employee stock purchase plans that permit discounts up to 15%, but only for grants that are part of a broad based employee plan, including all non-executive employees
  18. Establishment of Employee Stock Option Plans and other employee ownership plans
  19. Proposals to expense stock options

20. Executive/Director stock option plans. Generally, the stock option plans should meet the following criteria: (i) the stock option plan should be incentive based; (ii) should be no more than 2% per annum of the issued capital at the time of approval
21. Modify or rescind existing supermajority vote requirements to amend the charters or bylaws
22. Adoption of anti-greenmail provisions provided that the proposal (a) defines greenmail, (b) prohibits buyback offers to large block holders not made to all shareholders or not approved by disinterested shareholders, and (c) contains no anti-takeover measures or other provisions restricting the rights of shareholders
23. Proposals requiring shareholder ratification of poison

B. The following proposals are usually voted *against*, notwithstanding management support:

1. Capitalization changes which add classes of stock which may significantly dilute the voting interests of existing shareholders
2. Proposals to increase the authorized number of shares of existing classes of stock which carry preemptive rights or super voting rights
3. Creation of blank check preferred stock
4. Changes in capitalization by 2% or more where management does not offer an appropriate rationale or where it is contrary to the best interests of existing shareholders
5. Compensation proposals that allow for discounted stock options which have not been offered to employees in general
6. Executive compensation plans that are excessive relative to other companies in the industry
7. Anti-takeover and related provision that serve to prevent the majority of shareholders from exercising their rights or effectively deter the appropriate tender offers and other offers
8. Shareholders rights plans which allow appropriate offers to shareholders to be blocked by the board or trigger provisions which prevent legitimate offers from proceeding
9. Amendments to bylaws that would require a supermajority shareholder vote to pass or repeal certain provisions
10. Proposals to indemnify auditors
11. Proposals to adopt poison pills

C. The following types of proposals are usually voted on a *case-by-case* basis:

1. Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements that benefit management and would be costly to shareholders if triggered are not supported by the Advisers, however the Adviser does not want to vote against a good management team, and so will usually abstain
2. Mergers, acquisitions and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations)
3. Proposals to create a new class of preferred stock or for issuances of preferred stock up to 5% of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders, in which case we are opposed
4. Proposals to reduce the number of authorized shares of common or preferred stock, or to eliminate classes of preferred stock, provided such proposals have a legitimate business purpose

5. Proposals to change covenants or other terms in connection with financings or debt issuances
6. Proposals to amend terms of shareholder rights agreements or similar documents which will affect the rights of a client
7. Limiting Directors' liability and broadening indemnification of Directors Shareholder Proposals

### Shareholder Proposals

A. The following shareholder proposals are usually voted *in support*:

1. Requirement that a majority of members of the company's compensation, nominating and audit committees be comprised of independent or unaffiliated Directors
2. Prohibit payment of greenmail
3. Proposals which request or require disclosure of executive compensation in addition to the disclosure required by the Securities and Exchange Commission ("SEC") regulations
4. Elimination of certain anti-takeover related provisions
5. Reduction or elimination of supermajority vote requirements
6. Proposals to expenses stock options
7. Confidential voting

B. The following shareholder proposals are usually *voted against*:

1. Requirements that the issuer prepare reports which are costly to provide or which would require duplicative efforts or expenditures which are of a non-business nature or would provide no pertinent information from the perspective of institutional shareholders
2. Restrictions related to social, political or special interest issuers that impact the ability of the company to do business or be competitive and which have a significant financial or best interest impact to the shareholders
3. Proposals that require inappropriate endorsements or corporate actions
4. Proposals requiring Directors to own large amounts of stock to be eligible for election
5. Proposals which limit tenure of Directors
6. Requiring shareholder approval of golden parachutes

C. The following shareholder proposals are usually determined on a *case-by-case* basis:

1. Proposals to limit golden parachutes
2. Restoring cumulative voting in the election of Directors
3. Requirement that a certain percentage of its Board's members be comprised of independent and unaffiliated Directors
4. Proposals which limit retirement benefits or executive compensation
5. Requiring shareholder approval for Bylaw or charter amendments
6. Requiring shareholder approval for shareholder rights plan or poison pill

## **Conflicts of Interest**

- DCM will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of DCM with the issuer of each security to determine if DCM or any of its employees has any financial, business or personal relationship with the issuer.
- If a material conflict of interest exists, W. Jeffrey Davidson will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation.
- DCM will maintain a record of the voting resolution of any conflict of interest.

## **Recordkeeping**

W. Jeffrey Davidson shall retain the following proxy records in accordance with the SEC's five-year retention requirement.

- These policies and procedures and any amendments;
- Each proxy statement that DCM receives;
- A record of each vote that DCM casts;
- Any document DCM created that was material to making a decision how to vote proxies, or that memorializes that decision including periodic reports to W. Jeffrey Davidson or proxy committee, if applicable.
- A copy of each written request from a client for information on how DCM voted such client's proxies, and a copy of any written response.

# ANTI-MONEY LAUNDERING

## **Policy**

It is the policy of Davidson Capital Management, Inc. (DCM) to seek to prevent the misuse of the funds it manages, as well as preventing the use of its personnel and facilities for the purpose of money laundering and terrorist financing. DCM has adopted and enforces policies, procedures and controls with the objective of detecting and deterring the occurrence of money laundering, terrorist financing and other illegal activity. Anti-money laundering (“AML”) compliance is the responsibility of every employee. Therefore, any employee detecting any suspicious activity is required to immediately report such activity to the AML Compliance Officer. The employee making such report should not discuss the suspicious activity or the report with the client in question.

## **Background**

On October 26, 2001, the President signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA PATRIOT Act”). Prior to the passage of the USA PATRIOT Act, regulations applying the anti-money laundering provisions of the Bank Secrecy Act (“BSA”) were issued only for banks and certain other institutions that offer bank-like services or that regularly deal in cash. The USA PATRIOT Act required the extension of the anti-money laundering requirements to financial institutions, such as registered and unregistered investment companies, that had not previously been subjected to BSA regulations.

In April 2003, the Department of the Treasury proposed new rules that would require SEC registered advisers, and certain unregistered advisers, to adopt an anti-money laundering program.

## **Responsibility**

DCM has designated W. Jeffrey Davidson as DCM's AML Compliance Officer.

In this capacity, the AML Compliance Officer is responsible for coordinating and monitoring the firm’s AML program as well as maintaining the firm’s compliance with applicable AML rules and regulations. The AML Compliance Officer will review any reports of suspicious activity which have been observed and reported by employees.

## **Procedure**

DCM has adopted procedures to implement the firm’s policy and reviews to monitor and insure the firm’s policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

### ***Client Identification Procedures***

As part of DCM's AML program, the firm has established procedures to ensure that all clients' identities have been verified before an account is opened.

Before opening an account for an individual client, DCM will require satisfactory documentary evidence of a client's name, address, date of birth, social security number or, if applicable, tax identification number. Before opening an account for a corporation or other legal entity, DCM will require satisfactory evidence of the entity's name, address and that the acting principal has been duly authorized to open the account. The AML Compliance Officer will retain records of all documentation that has been relied upon for client identification for a period of five years.

### ***Prohibited Clients***

DCM will not open accounts or accept funds or securities from, or on behalf of, any person or entity whose name appears on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Office of Foreign Assets Control, from any Foreign Shell Bank or from any other prohibited persons or entities as may be mandated by applicable law or regulation.

DCM will also not accept high-risk clients (with respect to money laundering or terrorist financing) without conducting enhanced, well-documented due diligence regarding such prospective client.

DCM primary custodian, Charles Schwab & Company, as part of their account opening compliance procedures, cross checks all client information obtained from new account forms to confirm the client's identity and to verify that the client is not on any list of prohibited clients. DCM will rely upon Charles Schwab & Company's procedures to perform this review.