

## **Davidson Investment Advisors, Inc.**

### **Investment Adviser Proxy Voting Policies and Procedures as of November 2010**

This document sets forth the proxy voting policies, procedures and guidelines of Davidson Investment Advisors, Inc. (“DIA”), an investment adviser registered with the Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940, as amended (the “Act”), in voting portfolio proxies relating to securities held by its clients. As a registered investment adviser, DIA has a fiduciary duty to act in the best interest of its clients. This duty requires DIA to vote proxies in a timely manner and to make voting decisions that are in the best interest of its clients. All proxies received by DIA are voted in accordance with these procedures. These policies and procedures are intended to comply with Rule 206(4)-6 of the Act.

#### **Delegation of Proxy Voting Duty**

DIA has delegated its proxy voting administrative duties to the Managed Assets Operations Department at D.A. Davidson & Co. (“D.A. Davidson”), an affiliated broker-dealer, registered investment adviser, and custodian of the assets of many DIA client accounts. A Managed Assets Operations Voting Administrator is responsible for the actual voting of proxies for DIA. When the Voting Administrator encounters a proxy vote that is not otherwise covered by these policies and procedures, or for evaluating proxies that create a potential conflict of interest, as more fully discussed below, the Voting Administrator consults with the Director of Managed Assets Operations, who may consult with DIA management or a Portfolio Manager, after which instruction is issued for voting the proxy.

#### **Proxy Voting Committee**

An Investment Adviser Proxy Voting Committee (the “Committee”), with members including senior personnel from DIA and other Davidson Companies’ subsidiaries, meets periodically. The Committee generally invites personnel from the Legal and Compliance Departments to participate in its meetings. The Committee monitors DIA’s overall adherence to these policies and procedures. It also reviews the rationale for some proxy votes that are not covered by these policies and procedures, or that present a potential conflict of interest. The Committee periodically reviews these policies and procedures and provides advice for revisions thereof.

#### **Fiduciary Considerations**

DIA and D.A. Davidson have engaged Institutional Shareholder Services (“ISS”), an unbiased, unaffiliated, third party proxy voting service, to provide proxy voting recommendations. Proxies are generally voted in accordance with ISS recommendations, but DIA reserves the right to exercise its own judgment on a case-by-case basis. For example, if the ISS recommendation conflicts with the proxy voting decision of the issuer’s management, DIA will evaluate the merits of each position.

### **Potential Conflicts of Interest**

An issuer's management team can be an important factor when deciding to invest in a particular company. As a result, DIA may analyze a proxy vote in which the decision of management conflicts with the ISS recommendation, and will vote the proxy in the best interest of its clients. DIA may seek the advice of outside counsel when making a final determination regarding a potential conflict. Any final determination regarding such a proxy vote shall be documented and retained.

DIA recognizes that in certain instances a potential conflict of interest may arise in a proxy vote. For example, DIA, or one of its affiliates, may manage an issuer's retirement plan, or a DIA employee may have a business relationship that could affect the DIA proxy vote. DIA believes, however, that its retention of ISS, its adherence to these policies and procedures and oversight by the Committee ensures that proxies are voted in the best interest of DIA clients.

In addition to the above, the Committee may periodically review the independence of ISS. This may include a review of ISS's conflict management procedures, interviewing ISS employees, and ensuring that ISS continues to have the competency and capacity to vote proxies.

### **Management Recommendations**

In the event the ISS recommendation is different from the recommendation of issuer's management, the recommendation may be analyzed by DIA management or Portfolio Manager, or by Managed Assets Operations. DIA does not consider a recommendation from issuer's management to be determinative, and DIA will arrive at its own conclusion, in the best interest of its clients.

### **General Voting Policies**

When recommendations differ, as a general policy, DIA will vote in favor of proxy proposals that enhance the independence of board membership, against measures that promote anti-takeover defenses, and for incentive compensation that would align management interests with shareholder interests, including stock-based compensation and restricted stock award programs. Corporate governance issues, however, are diverse and continually evolving and these general policies may not be relevant in some circumstances. In such cases, DIA reserves the right to review the specific facts in each case, to decide on a vote that would serve the best interest of its clients.

### **Decisions not to Vote Proxies**

Situations may arise in which DIA does not vote proxies. For example, if the cost of voting a foreign proxy outweighs the benefit of voting, DIA may refrain from processing that vote. In another potential situation, due to late or no communication from the issuer or its agent, the Voting Administrator may not have sufficient time to process a vote. If DIA has outstanding sell orders for a certain security, the proxies for that company may not be voted to facilitate the sale of the securities. Although DIA may hold shares on a company's record date, if DIA sells them prior to the company's meeting date, it may be decided not to vote the shares. In the situations in which DIA has a choice, the clients' best interest is the determining factor in whether to vote a proxy.

## Proxy Voting Procedures

Following are descriptions of the standard procedures employed by DIA with respect to carrying out its proxy voting policies:

1. The Voting Administrator will review and compile information on each proxy upon receipt of any agendas, materials, reports, or recommendations from ISS, or other information.
2. The Voting Administrator will generally vote in accordance with the ISS recommendation.
3. The Voting Administrator will send periodic proxy voting recaps to a group of people including management and Committee members.
4. In advance of a company's annual meeting, the Voting Administrator will submit its vote electronically via ProxyEdge, which keeps a record of all votes. If the holdings are not set up on ProxyEdge, the Voting Administrator will vote the proxy manually and return it to the company by U.S. Postal Service. The Voting Administrator will retain a copy of any proxy that is voted manually.
5. The Director of Managed Assets Operations will annually review Compliance Department questionnaires for Committee members and DIA officers, to assist in determining when a material conflict of interest could exist between DIA and its client.
6. Managed Assets Operations maintains the documentation that supports DIA's voting positions. Such documentation will include, but is not limited to, the recommendation of ISS, and especially as to non-routine, materially significant or controversial matters, memoranda describing the voting position taken, why that position is in the best interest of DIA clients, and any other relevant information.
7. After the proxy vote is completed, but before it is returned to the issuer and/or its agent, the Director of Managed Assets Operations may review those situations described above to determine that appropriate documentation has been retained.
8. Proxy voting records will be retained for at least five years, the first two of which will be in a readily accessible location. DIA clients may reasonably request copies of proxy voting records by sending a written request to: Davidson Investment Advisors, Inc., ATTN: Client Services, P.O. Box 5015, Great Falls, MT 59403. DIA clients may view its proxy voting policies and procedures online at [www.davidsoninvestmentadvisors.com](http://www.davidsoninvestmentadvisors.com).
9. Managed Assets Operations will prepare a report for any client who requests a record of a vote cast. The report will be sent to the client and a copy retained in the client's file.
10. The Committee shall review these policies and procedures periodically and make suggestions to management for revisions, if necessary.