

PROXY VOTING GUIDELINES AND PROCEDURES AQUILA INVESTMENT MANAGEMENT LLC

Philosophy Governing Guidelines: Aquila Investment Management LLC (Aquila) believes that shareholders will do best investing in companies in which the interests of corporate management are properly aligned with the long term interests of shareholders. In addition, we believe that investors are best served by managements and boards of directors that exhibit sound corporate governance. We do not support company managements and boards of directors that attempt to enrich themselves disproportionately at the expense of shareholders or that do not exhibit sound corporate governance. We have established proxy voting guidelines, but believe they cannot anticipate all situations that may arise. We would emphasize that they are guidelines, but not rigid rules. There may be a number of instances in which the specific situation requires a vote that does not follow the guidelines.

Objectives of Aquila Rocky Mountain Equity Fund: Unfortunately, with proxy voting guidelines, one size does not fit all. In the Rocky Mountain Region we have many young, entrepreneurial companies that are not yet recognized by Wall Street and, therefore, are not fairly valued. In the long run for our shareholders, it may make more sense to have a vibrant growth company headquartered in the region with some permitted takeover defenses, than for the company to have been taken over at an early stage at a sub-standard valuation. Often with a takeover, important functions, jobs, science and technology are moved out of the region. Even with bigger companies, the number of failed mergers and takeovers is staggering. If a management team is doing a great job in other respects and is headquartered in our region, we may, therefore, be inclined to permit mild takeover defenses. Taking a quick 10% takeover premium is not always the optimum long-term outcome for shareholders. In the end we must ask ourselves: What action optimizes Aquila Rocky Mountain Equity Fund shareholder return in the long run? This may be a complex question.

Proxy Voting vs. Discussions with Management: We believe that proxy voting is not the only way to give the company management feedback regarding corporate governance issues. In the past we have spoken directly with management when we have seen actions that we have deemed potentially abusive to shareholders. We believe that this is a process that can be more effective than proxy voting since it provides us with an opportunity to explain our reasoning to management. Occasionally management will provide us with some of their rationale that we had not previously understood.

Situations in which Aquila may vote against a board of directors, management or a provision include:

- 1) Golden parachutes greater than three times annual salary and bonus.
- 2) Re-pricing of options, particularly if options outstanding represent more than 10-15% of the stock outstanding.
- 3) Dual classes of common stock with unequal voting rights.
- 4) Supermajority voting requirements.
- 5) Classified boards of directors.

- 6) Stock related compensation plans that create stock options which when added to current options outstanding total more than 10% of all stock outstanding for a large capitalization company and more than 15% for a small capitalization company.
- 7) Exercise prices of stock options below the market price on the date of issue.
- 8) Poison pill plans that are intended to protect weak managements and prevent a takeover that would recognize the fair market value of a company.
- 9) Increases in authorized common stock, greater than two to three times the number of shares currently outstanding. (The amount of shares that might normally be required for stock splits, stock-related incentive plans and securities convertible into common stock over a two to five year period.)
- 10) The granting of stock awards to non-employee directors at the discretion of management. (This should occur as a part of non-discretionary provisions of a plan.)
- 11) Evidence of self-dealing, such as transactions between the company and a director or officer or loans between the company and an officer or director.
- 12) Excessive restricted stock awards and stock awards other than options for directors and officers.

The first time we see a proposal with which we disagree, we tend to vote against the proposal. If we see a pattern of a number of inappropriate proposals in the same year or over several years, then we would tend to vote against the board of directors as well.

Proxy Voting Procedures: The portfolio manager of Aquila Rocky Mountain Equity Fund will read and vote proxies using the philosophies and guidelines as described above. The final determining test will be: Does this action help or hurt long-term shareholder return? When the portfolio manager needs further input on an issue, they may consult with the Compliance Officer, Aquila Investment Management LLC or legal counsel. Voting records will be maintained in a dedicated file for proxy votes. In cases where votes may be considered controversial, the portfolio manager may document the reasoning for the vote and add that to the file. Aquila will rely on the Securities and Exchange Commission's EDGAR (Electronic Data Gathering and Retrieval) system to provide proxy statement documentation.

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