

# HOWE AND RUSLING, INC.

165 Culver Rd  
Suite 100  
Rochester, NY 14620

585-325-4140

[www.howeandrusling.com](http://www.howeandrusling.com)

March 11, 2024

This brochure provides information about the qualifications and business practices of Howe and Rusling, Inc. If you have any questions about the contents of this brochure, please contact us at 585-325-4140. The information included in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Howe and Rusling, Inc. is registered as an investment adviser with the United States Securities and Exchange Commission. The firm's registration does not imply a certain level of skill or training.

Additional information about Howe and Rusling, Inc. also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select Investment Adviser Search on the left navigation panel and select Investment Adviser Firm on the Investment Adviser Search page to begin your search.

The information included in this brochure is intended to provide you with information that may be useful to you in evaluating the services that we provide and to compare our services with those of other advisory firms.

## **ITEM 2 – SUMMARY OF MATERIAL CHANGES**

We have the following material changes to report since the submission of our last annual amendment filing.

- As of December 1, 2023, our principal office location has changed to 165 Culver Rd, Suite 100, Rochester, NY 14620.

### **ITEM 3 - TABLE OF CONTENTS**

1. Cover Page
2. Summary of Material Changes
3. Table of Contents
4. Advisory Business
5. Fees and Compensation
6. Performance-Based Fees and Side-By-Side Management
7. Types of Clients
8. Methods of Analysis, Investment Strategies and Risk of Loss
9. Disciplinary Information
10. Other Financial Industry Activities and Affiliations
11. Code of Ethics
12. Brokerage Practices
13. Review of Accounts
14. Client Referrals and Other Compensation
15. Custody
16. Investment Discretion
17. Voting Client Securities
18. Financial Information

## Requirements for State-Registered Adviser

## ITEM 4 - ADVISORY BUSINESS

A. Howe and Rusling, Inc. (Howe and Rusling or H&R) is a registered investment advisor, founded in 1930. Our principal owner is Craig Cairns, President, Chairman, and Chief Executive Officer.

B. Howe and Rusling, Inc. primarily offers large cap equity and intermediate fixed income investment management. Howe and Rusling, Inc. researches security selection, and tactical asset class and sector allocations. Howe and Rusling, Inc. assists our clients with some financial planning and on occasion uses outside asset managers and ETFs, but mainly specializes in security selection.

Howe and Rusling, Inc. has three primary equity strategies:

**Core Equity Portfolio:** A diversified portfolio of approximately 40 large cap equities, Howe and Rusling's primary strategy.

**Equity Income Portfolio:** A portfolio of approximately 30 higher dividend equities, intended for clients looking to increase their portfolio income, or reduce their portfolio volatility.

Our fixed income analysts use a combination of macroeconomic analysis & forecasting, proprietary modeling, sector-specific research, and financial reporting analysis. All securities are considered based on their yield to maturity, risk/reward profile, their liquidity, and how they fit into each portfolio.

Howe and Rusling's primary fixed income expertise is in the Treasury, agency, investment grade corporate, municipal, and agency mortgage-backed sectors; however, Howe and Rusling also has experience in other sectors. Howe and Rusling has robust trading programs and best-execution policies to ensure our clients get competitive pricing, and to maximize their liquidity.

**ESG Investments:** In addition to applying various ESG screens to individual securities, Howe and Rusling may also select Exchange Traded Funds ("ETFs") or third-party manager accounts that are managed by unaffiliated third parties. In such cases, Howe and Rusling has no control over the selection of investments within those ETFs or accounts and does not administer any positive or negative screens to assess the appropriateness of any individual securities bought or sold for the ETFs. Instead, Howe

and Rusling relies on the representations and screening processes of the third-party advisers responsible for managing each ETF and/or account. While Howe and Rusling will conduct due diligence on each manager's overall investment mandate and philosophy, Howe and Rusling cannot guarantee that each security held within the ETF or third-party account structure will align with the ESG objectives and restrictions expressed by its clients.

#### **Financial Planning/Consulting Services:**

We may offer some clients financial planning services which address some or all of the following areas:

- Personal: Family records, budgeting, personal liability, estate information, and financial goals.
- Tax & Cash Flow: Income tax and spending analysis and planning for past, current, and future years. We will illustrate the impact of various investments on a client's current income tax and future tax liability.
- Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning, and disability income analysis.
- Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- Investments: Analysis of investment alternatives and their effect on a client's portfolio.
- Estate Planning: Analysis of financial issues with respect to living trusts, wills, estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

Typically, the financial plan and/or agreed-upon deliverables will be presented to the client within six weeks of receiving the client's material, provided that all information needed to prepare the agreed-upon materials has been promptly provided by the client.

Clients can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, insurance issues, annuity advice, or any other specific topic.

We tailor all of our financial planning and consulting recommendations to the individual needs of each client. All recommendations are based on information gathered through client questionnaires and telephone and in-person discussions.

#### **Use of Sub-Advisers and Third-Party Managers:**

We may also, when appropriate, sub-advise certain portions of a client portfolio to independent third-party managers or recommend direct investment with independent

third-party managers, typically when those managers demonstrate knowledge and expertise is a particular investment strategy.

As part of this service, we perform management searches of various unaffiliated registered investment advisers. Based on a client's individual circumstances and needs (as exhibited in the client's IPS) we will determine which selected registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client, and the investment philosophy of the selected registered investment adviser. We encourage clients to review each third-party manager's disclosure document regarding the particular characteristics of any program and manager selected by us.

Once we determine which selected registered investment adviser(s) are most appropriate for the client, we will provide the selected registered investment adviser(s) with the client's IPS or other suitability information. The selected registered investment adviser(s) will then create and manage the client's portfolio based upon the client's individual needs.

We will regularly and continuously monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) are not providing sufficient management services to the client, or are not managing the client's portfolio in a manner consistent with the client's IPS, we will remove the client's assets from that selected registered investment adviser(s) and place the client's assets with another registered investment adviser(s) at our discretion and without prior consent from the client.

Our firm will conduct appropriate due diligence on all independent third-party managers, making reasonable inquiries into their performance calculations, policies and procedures, Code of Ethics, and other operational and compliance matters deemed important to account performance and risk management.

#### **Consulting Services for Other Financial Professionals:**

We also offer consulting services to unaffiliated independent investment advisers and/or other financial professionals. Depending on the specific arrangement, we may provide these clients with security selections, weights, and allocations for use in their own managed portfolios.

C. We do allow our clients to impose restrictions for certain investments. These restrictions generally regard issues relating to:

- asset mix
- an individual security
- investment characteristics (e.g. debt rating, foreign investments, social issues)

Any investment restrictions placed upon an account are agreed upon in advance with the client and captured on the asset allocation agreement between the client and advisor.

D. We do not currently sponsor or participate in any wrap fee programs.

E. Howe and Rusling had 2,584 discretionary accounts valued at \$1,672,222,403 and 15 non-discretionary accounts valued at \$2,878,630 as of December 31, 2023.



## ITEM 5 - FEES AND COMPENSATION

A. We provide investment supervisory services according to the following basic fee schedule. The minimum quarterly fee is \$1500 (the fee for a \$500,000 portfolio).

**The standard fee schedule for equity and balanced accounts is as follows:**

Portfolio Value	Quarterly Rate	Annualized Rate
First \$500,000	0.30%	1.20%
Next \$500,000	0.25 %	1.00 %
Above \$ 1,000,000	0.20 %	0.80 %

**The following fee schedule is for fixed income-only accounts. The minimum quarterly fee is \$1250 (the fee for a \$1,000,000 portfolio).**

Portfolio Value	Quarterly Rate	Annualized Rate
Any	0.1250 %	0.50 %

**The following fee schedule is for ETF-only accounts.**

Portfolio Value	Quarterly Rate	Annualized Rate
Any	0.20%	0.80%

Howe and Rusling may, in its discretion, reduce the standard fee. Under certain circumstances, such as multiple relationships within a single family, our fees and minimums may be negotiable. Lower fees for comparable services may be available from other sources. Fixed fees, as opposed to fees based on a percentage of assets under management, may also be negotiated on very rare occasions and on an individual basis due to unusual circumstances.

B. At the start of a client's relationship with us, the client may choose if he/she would like us to send an invoice for our advisory services directly or if he/she would like us to have the fee directly debited from the custodial account. Fees are collected quarterly in advance.

C. Howe and Rusling's schedule of fees does not include any brokerage fees, fund expenses, or transaction costs that the client may incur through investing. Please see "Brokerage Practices" for a discussion of custody and brokerage arrangements.

In a wrap fee arrangement, clients generally pay a single fee to the wrap program sponsor for advisory, brokerage, and custodial services. Depending on the arrangement, the client's portfolio transactions may be executed without commission charge in a wrap fee situation. In evaluating such an arrangement, the client should consider that depending upon the level of the wrap fee, the amount of portfolio activity in the client's

account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Clients should discuss any particulars of the wrap fee details directly with their contact at the wrap program sponsor firm.

D. The management fee is billed quarterly in advance in an amount determined by applying the quarterly rate to the portfolio market value on the last day of the calendar quarter immediately preceding the billing date. In the event of termination of the investment agreement by written notice from the client mid-quarter, a rebate for the pro-rated amount of the fee not used is sent by check to the client or back to the brokerage account where the fee was paid.

Cash and Margin Holdings:

Unless agreed otherwise, any and all account asset classes, including cash positions, are included in the firm's advisory fee calculation. At certain times our advisory fee may exceed the money market yield for cash assets.

Depending on the agreement with a client, accounts with utilized margin may be billed on the higher-margin value. This presents a potential conflict because we earn a higher fee and have a disincentive to advise clients to reduce or eliminate the margin balance.

Howe and Rusling typically provides financial planning services to most existing and prospective clients at no additional cost.

Consulting services provided to other financial professionals are typically based on a discreetly negotiated fixed fee, typically payable quarterly in advance.

E. N/A

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Howe and Rusling does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees).

## **ITEM 7 - TYPES OF CLIENTS**

We offer investment supervisory services and require a minimum market value to start an account: \$500,000 for basic accounts and \$1,000,000 for fixed income-only accounts. Howe and Rusling may, in its discretion, waive the minimum account size.

We primarily provide investment advice to:

- individuals
- high net worth individuals

However, we also provide investment advice to:

- insurance companies
- pension and profit sharing plans
- trusts, estates, and charitable organizations
- corporations and other businesses

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

A. Howe and Rusling's equity & ETF analysis is based on both "top-down" economic research which includes macroeconomic forecasts and geopolitical analysis, and on "bottom-up" fundamental research which generates investment ideas for individual securities based on our proprietary valuation model, earnings estimates, long-term growth forecasts, and technical analysis. Our top-down research helps determine our tactical, geographic, and sector weightings as well as our risk profile. Our bottom-up research identifies opportunities in stocks which may be undervalued, or whose growth seems overly discounted.

Once we have identified opportunities through our bottom-up analysis, we look at these opportunities within the context of the economic picture painted by our top-down research. We try to identify opportunities whose investment theses are aligned to our overall forecasts and then begin to investigate those companies in greater depth. We read analyst reports, guidance, news headlines, and SEC filings to develop an understanding of the potential upside and risks of each position. We try to build a detailed understanding and thesis of what we think will happen to each position and what we think might go wrong.

Once the analysts have established a compelling thesis and a fair market value for the stock price, the stock is presented to the Equity Portfolio Management Team. The portfolio managers review their client restrictions to make sure the stock fits for each client.

Once a position is purchased, the equity analysts monitor the position's movement, performance, and any news/earnings releases which may affect the stock price. Any relevant information is passed on to the Equity Portfolio Management Team in weekly Monday meetings, or inter-week either via email or in a snap meeting if there are time sensitive and urgent issues.

Positions are subjected to ongoing review to examine whether a compelling investment thesis still holds and to try and uncover whether or not subsequent events have changed the position's risk profile. If a position is found to no longer be a compelling investment, either because it has appreciated or because circumstance has moved against us, the position is represented to the Equity Portfolio Management Team.

Howe and Rusling's fixed income analysis looks for opportunities in different sectors and positions by analyzing the risk reward structure for interest rate risk, and credit risk,. While Howe and Rusling uses a number of analytics in evaluating every risk, the primary tools for evaluating interest rate risk are our proprietary econometric model, yield curve analysis, and analysis of monetary policy. Our analysis of interest rate risk determines our tactical duration target.

Howe and Rusling's credit risk analysis which determines our sector allocations and allocations to different credit qualities is based on a combination of risk premium / spread analysis, balance sheet analysis, and several other factors.

Howe and Rusling considers liquidity an important factor in pricing every bond, but it is especially important when dealing with lower credit quality bonds and bonds with embedded options.

Once a bond is purchased, Howe and Rusling observes the positions and performs ongoing analysis to determine whether or not the risk-reward profile of the position has changed, or whether or not our economic outlook has changed. When a position no longer looks attractive for our clients on a risk-reward basis, the position is sold.

Investing in securities involves a risk of loss that one should be able to bear, including the potential loss of one's investment.

B.

#### Fundamental Analysis Risk:

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

#### ETF Risk:

A risk of ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the ETF, which could make the ETF less suitable for the client's portfolio.

#### Third-Party Manager and Model Manager Risk:

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

#### Long-term Purchase Risk:

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

#### Short-term Purchase Risk:

A risk in a short-term purchase strategy is that should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

#### Interest Rate Risk:

There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall, and when interest rates fall, fixed income prices rise. Generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

#### Small Capitalization Stock Risk:

Small cap stocks have inherent risks associated with them. Unlike large cap counterparts, small cap companies may not have proven their ability to grow and consistently generate a profit. Furthermore, they may be more susceptible to volatility and market and internal hardships. Finally, due to lack or insufficiency of market coverage, there may be a lack of readily available, reliable information on small cap companies.

#### General Risk:

When investing in stocks, clients must be aware that the performance of any individual stock is going to be tied to the performance of the underlying company. Companies face a diverse set of risks which may cause investments in their stocks to perform poorly or lose money. In an extreme case, should a company become insolvent, or turn out to be fraudulent, the stock may lose all of its value. Howe and Rusling generally buys the stocks of large established firms and tries to mitigate company specific risks by researching and monitoring the operations and news affecting our holdings on an ongoing basis to catch problems before they become too severe.

Stock returns, as well as those of ETFs, may also change with developments in the market, economy, or news. These may be unexpected and may affect many stocks at once. Howe and Rusling does its best to manage these risks by performing top down research and by engaging in ongoing monitoring of the markets.

Bond returns may be affected by interest rate and inflationary changes, changes in demand for risk, and by changes in the fundamental risks of the underlying issuer. Howe and Rusling monitors all of these areas for developments to help insulate our clients from harmful developments. Additionally, bonds are negotiated securities so prices will depend on supply and demand. This makes many bonds subject to liquidity risks; where should we have to exit a position, we may be unable to obtain 'fair' value for the bonds. While Howe and Rusling has a best execution program in place to ameliorate this, in some situations: directed accounts and time sensitive client-directed sales or depending on the size of the bond positions, performance may be materially affected should the client have to exit a position before maturity.



## **ITEM 9 - DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Howe and Rusling's advisory business or the integrity of our management.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. N/A

B. N/A

C 3. H&R and SouthernSun Asset Management (formerly Cook Mayer Taylor/CMT) have entered into an investment sub-advisory agreement under which H&R will appoint SouthernSun Asset Management sub-adviser to H&R for specified assets of an H&R client following receipt of written authorization from the client. The written authorization from the client will specify the assets for which SouthernSun Asset Management will act as a sub-adviser and may be revoked at any time. During any period of time that SouthernSun Asset Management is serving as the sub-adviser for specified assets of an H&R client, SouthernSun Asset Management will have full discretion to invest and reinvest such specified assets. SouthernSun Asset Management will provide to H&R information on such assets at least quarterly. The sub-advisory relationship with SouthernSun Asset Management dates back to 2003 and SouthernSun Asset Management has been used for existing clients but is not typically offered as separate account management for new clients because of an increase in SouthernSun's minimum account size. For some new and existing clients, H&R uses SouthernSun's small cap mutual fund.

H&R will remain the adviser to the client, both as to the specified assets for which SouthernSun Asset Management serves as the sub-adviser and as to the remaining assets. SouthernSun Asset Management will receive a sub-advisory fee from H&R for the provision of the advisory services, but no additional fees (other than trading fees and custody fees, if applicable as in a typical H&R relationship) will be charged to the H&R client as a result of this arrangement and no additional expenses will be incurred by the H&R client as a result of this arrangement. H&R will provide a copy of SouthernSun Asset Management's ADV Part 2A to the H&R client. In 2012, SouthernSun Asset Management decided to raise their portion of the sub-advisory fees for existing H&R clients causing the overall fee to be raised.

Although some clients are still invested with SouthernSun Asset Management and, we no longer recommend these programs to clients.

H&R employs an attorney to facilitate with delivery of estate planning services. None of the estate planning services provided by H&R and/or the employed attorney in the course of her employment with H&R is neither intended to be nor should be construed as legal advice. However, the attorney is independently employed with a law firm not in any way affiliated with H&R and may recommend the services of that or another law firm should such services be appropriate for H&R clients. A conflict of interest exists in such referrals to the extent that such referrals may financially benefit the referring party and/or her employer. To the extent reasonably possible, H&R will provide training regarding relevant fiduciary obligations and conduct monitoring as to the propriety of any referrals made.

D. N/A

## ITEM 11 - CODE OF ETHICS

A. Howe and Rusling has a Code of Ethics that governs the personal securities investment activities of Howe and Rusling personnel. The three key principles embodied throughout the code are:

- The interests of clients must always be paramount.
- Howe and Rusling personnel may not take inappropriate advantage of their relationship to clients.
- All personal securities transactions should avoid any actual, potential, or apparent conflicts of interest.

A copy of the Code of Ethics is available to clients and prospective clients upon request.

B. N/A

C. In order to follow these principles, we monitor all personal securities transactions of our employees.

Employees are required to:

- Submit copies of their personal brokerage statements and record of the confirmations to the compliance officer for all accounts in which they have a beneficial interest and/or control
- Immediately notify the compliance officer of any new accounts that they open
- Annually certify that they have read and comply with our Code of Ethics
- Complete an annual holdings questionnaire
- Quarterly sign a statement stating that they have no additional accounts or trades to disclose

Beneficial interest is defined as having the opportunity, directly or indirectly, to profit or share in any profit derived from the purchase or sale of securities. In addition to submitting their own personal security information, employees must disclose account information on their spouse, minor children, and any person living in their home or to whose support the employee directly or indirectly contributes.

Employees are allowed to invest in the same securities (including bonds) recommended to clients. We place securities on a restricted list where it is possible for the portfolio managers to obtain non-public information on such companies. Employees are prohibited from buying or selling any securities on the restricted list.

Employees must obtain pre-clearance from our compliance officer before completing any qualified transactions. Exempted from the list of qualified transactions are equities of corporations with a market capitalization of \$2 billion or greater and fixed income securities with issue size of 100 million or greater. For these securities, preclearance is not required.

Our compliance team is responsible for checking employee trading behavior every quarter with the Quarterly Transactions Reports to ensure employees are following the correct personal trading procedures.

Additional information on our personal securities transaction policies may be obtained by contacting our compliance officer.

D. By reviewing trading behavior and maintaining a restricted list for restricted securities, we try to avoid any conflicts of interest with clients.

Pursuant to recent Department of Labor regulations, Howe and Rusling is required to acknowledge in writing its fiduciary status under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), as applicable.

When Howe and Rusling provides investment advice to you regarding your retirement plan account or individual retirement account, it is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way Howe and Rusling makes money creates some conflicts with your interests, so Howe and Rusling operates under a special rule that requires it to act in your best interest and not put its interests ahead of yours.

Asset Roll-Over Disclosure:

Consistent with this fiduciary duty, Howe and Rusling is required to disclose applicable conflicts of interest associated with its rollover recommendations. Howe and Rusling’s rollover recommendations creates a conflict of interest if Howe and Rusling will earn a new (or increase its current) advisory fee on the rolled over assets. Please see Item 5 of Form ADV Part 2A for further information regarding Adviser’s services, fees, and other conflicts of interest.

Clients and prospective clients considering a rollover from a qualified employer sponsored workplace retirement plan (“Employer Retirement Plan”) to an Individual Retirement Account (“IRA”), or from an IRA to another IRA, are encouraged to consider and to investigate the advantages and disadvantages of an IRA rollover from their existing plan or IRA, including, but not limited to, factors such as management expenses, transaction expenses, custodial expenses and available investment options. Potential alternatives to a rollover may include:

- Leaving the money in your former Employer Retirement Plan, if permitted;
- Rolling over the assets to your employer’s plan, if one is available and if rollovers are permitted;
- Rolling over Employer Retirement Plan assets into an IRA; or
- Cashing out (or distribute) the Employer Retirement Plan assets and paying the taxes due.

## ITEM 12 - BROKERAGE PRACTICES

A.

Typically, with respect to all accounts without prime brokerage, Howe and Rusling, Inc. does not request or accept the discretionary authority to determine the broker dealer used for client transactions. This means that Howe and Rusling, Inc. will not have authority to negotiate commissions among various brokers and best execution may not be achieved, resulting in higher transaction costs for clients than is otherwise available elsewhere. Moreover, directed brokerage accounts will typically be executed after trading for discretionary brokerage accounts is completed. Clients must direct our firm as to the broker dealer to be used for accounts without prime brokerage. *Not all advisers require their clients to direct brokerage.*

For clients in need of brokerage and/or custodial services and depending on client circumstances and needs, we will recommend the use of one of several broker dealers, provided that such recommendation is consistent with our fiduciary duty to the client. Generally, we will recommend the brokerage services offered by the client's custodian. The factors considered by our firm when making these recommendations are the broker dealer's ability to provide professional services, the firm's experience with the broker dealer, the broker dealer's reputation, the broker dealer's quality of execution services and costs of such services, and the custodial platform provided to clients, among other factors.

If a client, when undertaking an advisory relationship with our firm, already has a pre-established relationship with a broker and instructs us to execute all transactions through that broker, it should be understood that under those circumstances, we will not have the authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients since our firm may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account.

Typically, with respect to accounts with prime brokerage, the firm accepts brokerage discretion and seeks to obtain best execution for client transactions in these accounts, i.e., seeking to obtain not necessarily the lowest commissions but the best overall qualitative execution in the particular circumstance. Accounts executed at a broker other than the prime broker may incur additional charges such as trade away fees. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission/mark-up rates, research, and other services which will help us in providing investment management services to clients. We may therefore recommend (or use) the use of a broker who provides useful research and securities transaction services

even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Howe and Rusling, Inc. has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Howe and Rusling, Inc. with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Howe and Rusling, Inc. in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Howe and Rusling, Inc. manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Howe and Rusling, Inc. may contract directly.

**Howe and Rusling, Inc.** is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

#### 1. Soft Dollars

We utilize a portion of our equity commission dollars only generated from our clients' accounts to purchase research services for client portfolio management. This type of commission business is commonly known in the industry as "soft dollars." Its use may increase client transaction costs. "Soft dollar" commitments are used for the benefit of all our clients. H&R receives a benefit because we do not have to pay actual dollars for the research. The following is a list of the types of research obtained with soft dollars:

- RBC provides global company, industry, and macroeconomic research used in equity portfolio management.

As with all trading, the factors considered in selecting brokers for soft dollar commissions are:

- ability to obtain efficient execution
- most prompt and accurate reporting
- commission rate
- value to our clients of the research provided

We do not receive any additional benefits other than research from our soft dollar relationships. However, a potential conflict of interest arises between H&R's desire to pay for research through client trades rather than with actual dollars. The Head Trader and Brokerage Committee monitor the relationships carefully for execution quality and quality of the research. Trades and trading volume are tracked.

B. Howe and Rusling may elect to trade with certain brokers in order to receive soft dollar research. When we perform these (or "block") trades where we group many client trades together for a larger volume trade, our clients are generally assessed a "trade away fee," which adds to the actual cost per share of the trade. One of the potential benefits of block trading is better execution of a larger trade over a smaller trade; however, block trading may not always offer the most favorable execution.

C. Our soft dollar practices incur additional trading and may incur higher execution prices which would not be incurred otherwise. While we have brokerage and best execution reviews and written policies in place to monitor execution costs, the fees incurred may raise the total cost of the trade above what the client may have received otherwise. However, even in those instances where the cost to trade is above what the client may have received otherwise, we believe that the value added from receiving the research justifies the costs.

D. The soft dollar research benefits all clients, not just the ones whose soft dollars pay for the systems. As all of our soft dollars go towards research, the benefits are equal to all clients regardless of the soft dollars they generate.

E. We pay for the following research using our soft dollars from equity trading only:  
1) Research from RBC Capital Markets, provides global company, industry, and macroeconomic research used in equity portfolio management.

F. Howe and Rusling has a Brokerage Committee that includes the Chief Compliance Officer to meet periodically to review, discuss, and approve soft dollar relationships. Additionally, the Brokerage Committee reviews the soft dollar trading volumes and execution of the soft dollar brokers. Prior to a trade, the CCO decides where the trade will be executed based on the volume of each of the soft dollar relationships and occasionally, who might be best suited to execute the trade.

2. A. Howe and Rusling clients currently have custody of their assets maintained by various custodians. Howe and Rusling is able to accept client accounts based on client preference from most custodians. By far the largest custodial relationships H&R clients have are with Schwab and Fidelity: two large, well-known custodians who provide institutional custody at no custodial cost to the client, but with trading fees. If a client is indifferent to where he/she wants to custody assets, H&R recommends either Schwab or Fidelity. After H&R had a well-established relationship with Schwab and Fidelity, both Schwab and Fidelity approached H&R and invited H&R into newly developed referral programs where representatives of Schwab and Fidelity recommend H&R services to Schwab and Fidelity clients where appropriate. This potentially creates a conflict of interest where H&R would refer clients who were not referrals and indifferent to where their assets should be custodied to either Schwab or Fidelity. However, it has been the practice of H&R long before being invited into Schwab and Fidelity referral programs to recommend these two firms. Both Schwab and Fidelity offer platform services and technology that helps Howe and Rusling with back office management, trade execution, account management and asset pricing. It is Howe and Rusling's policy to trade away from Schwab and Fidelity for block equity trades above a certain share amount and to trade at Schwab and Fidelity when trading for Schwab and Fidelity clients individually, or if a client requests a direct trade.

3.

A. N/A

B. Although, as stated above, we do not restrict clients from using other directed brokers than those which we recommend, we discourage it since we may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. This is fully disclosed to clients in the H&R Advisory Agreement that is specific to clients who direct brokerage. Furthermore, if the client has not granted us discretionary brokerage for fixed income trades, we may not have access to the same quality or scale of inventory on the fixed income side.

### **Prime Brokerage Services**

Clients using the custodial services of Schwab Institutional, a part of Charles Schwab & Co., Inc. ("Schwab") and Fidelity Institutional Wealth Services ("Fidelity") are charged a trade-away fee for transactions placed and executed by broker-dealers other than Schwab or Fidelity. In order to stay above the SEC minimum, our policy states that smaller accounts with a market value of under the custodian minimums are not eligible to take part in the prime brokerage program due to their size. The trades for these accounts must



be traded at their custodian, even for fixed income securities which we would typically trade-away for larger accounts. Prices obtained for trades placed in the prime brokerage program will be different (sometimes higher, sometimes lower) than prices obtained for accounts that are required to trade at the custodian.

B. Howe and Rusling will aggregate accounts to place a “block trade” when it is operationally and economically efficient and for the soft dollar reasons stated above. Blocking on the fixed income side enables us to get superior pricing on large allocations because fixed income is a negotiated market and the dealers will accept lower commission rates on large trades. On the equity side, since we generally trade highly liquid large cap stocks, we may achieve greater operational efficiency by trading in a block rather than tying up resources trading accounts individually. Our aggregation ability and order entry priority may be affected by whether a client is eligible for prime brokerage and trade-away options.

## **ITEM 13 - REVIEW OF ACCOUNTS**

A. Most equity and fixed income securities in client accounts are reviewed daily by the Director of Equity Research or the Director of Fixed Income Research. In most client accounts, we utilize a manageable number of securities selected and purchased through our equity and fixed income process. In a limited number of accounts, securities may be retained at account inception at Howe and Rusling for a variety of reasons. Occasionally, a client will demand that we purchase a certain security that has not been approved through the H&R equity or fixed income process. Securities held or purchased in this manner are reviewed less frequently. If action is deemed appropriate for a particular security, an account review is initiated. Generally, account reviews take place a few times each quarter to examine the portfolio balance and suitability of the portfolio to the client's needs.

We have eight portfolio managers who are involved in portfolio management for approximately 900 client relationships. In addition, other members of the trading department, including our Director of Fixed Income Research, assist in the review process. Bonds are selected according to our fixed income strategy as to quality, type, and maturity, this being formally updated biweekly.

B. Other events triggering a review would include the quarterly client contact, tax planning, client cash needs and changing client circumstances. Client objectives are reviewed during client contact. We furnish quarterly reports to each client summarizing the account holdings and the account's current value. An investment return summary (net of fees) for the previous quarter is also provided in the quarterly report. Occasionally we report more frequently if we deem it advisable or if the client has special needs for extra reporting. In addition to our reports, the client's custodian will also provide monthly or quarterly portfolio reports and general tax information (if applicable).

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

A. N/A

B. Howe and Rusling's policy is to pay referral fees to persons for the successful solicitation of clients. The Company will compensate third parties such as accountants, attorneys, and other individuals for referrals typically ranging from a rate of 10%-50% of our fee for any account that is referred to Howe and Rusling as long as there is an active relationship between the client, Howe and Rusling, Inc. and the referrer. An agreement between Howe and Rusling and the third party solicitor ("solicitation agreement") and an agreement between the third party solicitor and the prospective client ("separate written disclosure document") must be signed prior to the solicitor receiving any fee. Specific referral relationships and payouts including with H&R employees and clients are detailed below:

### **Employee Referrals**

Compensation may be paid to employees of Howe and Rusling if their referrals become clients of our firm.

Rewards will generally equal 60% of an account's first quarterly fees, 30% of an account's second quarterly fees and 20% of an account's third quarterly fees. Employees will receive their reward by check or automatic payroll deposit issued through the Payroll Department. All applicable taxes will be deducted from the gross reward and the net amount will be forwarded to the employee. All Howe and Rusling employees that are paid for referring clients to our firm must have a signed employee solicitation agreement on file before receiving their referral reward.

### **Referrals from Fidelity and Charles Schwab**

*Participation in Fidelity Wealth Advisor Solutions®.*

Howe and Rusling participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which Howe and Rusling receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. Howe and Rusling is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Howe and Rusling, and FPWA has no responsibility or oversight for Howe and Rusling's provision of investment management or other advisory services. Under the WAS Program, FPWA acts as a solicitor for Howe and Rusling, and Howe and Rusling pays referral fees to FPWA for each referral received based on Howe and Rusling's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Howe and Rusling does not constitute a recommendation or endorsement by FPWA of Howe and Rusling's particular investment management services or strategies. More specifically, Howe and Rusling pays the following amounts to FPWA for referrals: the

sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Howe and Rusling has agreed to pay FPWA an annual program fee of \$50,000 to participate in the WAS Program. These referral fees are paid by Howe and Rusling and not the client.

To receive referrals from the WAS Program, Howe and Rusling must meet certain minimum participation criteria, but Howe and Rusling may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, Howe and Rusling may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Howe and Rusling may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Howe and Rusling as part of the WAS Program. Under an agreement with FPWA, Howe and Rusling has agreed that Howe and Rusling will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Howe and Rusling has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Howe and Rusling’s fiduciary duties would so require, and Howe and Rusling has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, Howe and Rusling may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Howe and Rusling’s duty to select brokers on the basis of best execution.

#### *Charles Schwab & Company Advisor Network Program*

We receive client referrals from Charles Schwab & Co., Inc. (“Schwab”) through Howe and Rusling’s participation in Schwab Advisor Network (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Howe and Rusling. Schwab does not supervise us and has no responsibility for Howe and Rusling’s management of clients’ portfolios or our other advice or services. Howe and Rusling pays Schwab fees to receive client referrals through the Service. Howe and Rusling’s participation in the Service may raise potential conflicts of interest described below.

Howe and Rusling pays Schwab a Participation Fee of .25% of the account size on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Howe and Rusling is a percentage of the value of the assets in the client’s account. Howe and Rusling pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation fee is billed to Howe and Rusling quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by Howe and Rusling and not by the client. Howe and Rusling may charge advisor clients introduced by the Service, fees

or costs greater than the fees or costs Howe and Rusling charges its advisory clients who were not introduced by the Service, and who have similar portfolios under management with Howe and Rusling. Howe and Rusling generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Howe and Rusling generally would pay in a single year. Thus, Howe and Rusling will have an incentive to recommend that client accounts remain in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Howe and Rusling clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Howe and Rusling will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Howe and Rusling's fees directly from the accounts.

For Howe and Rusling clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Howe and Rusling's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab will also receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Howe and Rusling may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Howe and Rusling nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Howe and Rusling's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Referrals from Other Third Parties**

Howe and Rusling has entered in the past and may enter in the future into solicitation or promotional agreements with third parties. In accordance with such arrangements, if a client is introduced to us by a solicitor or a promoter, we may pay that solicitor or promoter an ongoing referral fee constituting a percentage of the referred client's advisory fee paid to our firm for the duration of the advisory relationship.

Compensation for prospective client referrals or other promotional activities creates a potential conflict of interest to the extent that such a referral or promotion is not unbiased and the solicitor or promoter is, at least partially, motivated by financial gain. As these situations represent a potential conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

1. All such referral fees or other compensation for promotional activities are paid in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements;
2. Any such referral fee or other compensation will be paid solely from our investment management fee, and will not result in any additional charge to the client;
3. Any solicitor or promoter, at the time of the solicitation or other promotional activity, will disclose the nature of his/her/its solicitor or promoter relationship and provide each prospective client with a written or oral disclosure statement from the solicitor or promoter to the client disclosing the terms of the solicitation or promotional arrangement between our firm and the solicitor or promoter, including the compensation to be received by the solicitor or promoter from us; and
4. All referred clients will be carefully screened to ensure that our fees, services, and investment strategies are suitable to their investment needs and objectives.

## **ITEM 15 - CUSTODY**

Under government regulations, we are deemed to have custody of client assets if, for example, a client authorizes us to instruct Charles Schwab to deduct our advisory fees directly from client accounts. The client's custodian maintains actual custody of client assets. Clients receive account statements directly from the custodian at least quarterly but typically monthly. Statements are sent to the email or postal mailing address provided us by Schwab. Clients should carefully review those statements promptly when received. We also urge clients to carefully compare their custody statements to the quarterly statements sent to clients by Howe and Rusling.

## ITEM 16 - INVESTMENT DISCRETION

We have the authority to determine the securities and the amount of securities to be bought or sold in a client's account subject to the terms of your client agreement and according to the investment objective discussed and agreed upon by H&R and the client. The terms of the investment discretion and investment objective are specifically spelled out in the client agreement and client investment objective, signed by the client prior to investing. We do allow clients to impose restrictions for certain investments. These restrictions generally regard issues relating to:

- asset mix
- an individual security
- investment characteristics (e.g. debt rating, foreign investments, social issues)

Any investment restrictions placed upon an account are agreed upon in advance with the client and disclosed on the agreement between H&R and the client.

We also have the authority to determine the broker or dealer and commission rates to be used to execute transactions subject to the terms of the client agreement. We have a fiduciary obligation to the client with respect to the management of his/her accounts. The factors considered when selecting brokers are:

- ability to obtain best execution
- prompt and accurate reporting
- reasonableness of charges
- soft dollar relationships

## ITEM 17 - VOTING CLIENT SECURITIES

A. Howe and Rusling accepts authority to vote client securities. Howe and Rusling will always vote client securities in accordance with client wishes if informed ahead of time. Otherwise, Howe and Rusling typically follows the following proxy voting procedures: **(See Below B)**. However, an alternative set of guidelines (e.g. ESG guidelines) may be used based on a client's investment strategy and/or objective. Howe and Rusling utilizes the voting services of a third-party service provider.

B. N/A

### HOWE AND RUSLING, INC.

#### **PROXY VOTING POLICIES AND PROCEDURES**

**(Adopted May 29, 2003 and Revised December 31, 2003, March 9, 2011)**

Pursuant Securities and Exchange Commission (the "Commission") Rule 206(4)-6 (17 CFR 275.206(4)-6) and amendments to Rule 204-2 (17 CFR 275.204-2) under the Investment Advisers Act of 1940 as amended (the "Act"), it is a fraudulent, deceptive, or manipulative act, practice or course of business, within the meaning of Section 206(4) of the Act, for an investment adviser to exercise voting authority with respect to client securities, unless (i) the adviser has adopted and implemented written policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the

**Commented [EL1]:** We are about to sign a new contract with proxyedge that will allow us to offer an ESG proxy voting option for our ESG clients, do we need to update anything within the proxy policy?



best interests of its clients, (ii) the adviser describes its proxy voting procedures to its clients and provides copies on request, and (iii) the adviser discloses to clients how they may obtain information on how the adviser voted their proxies.

In order to fulfill its responsibilities under the Act, Howe and Rusling, Inc. (hereinafter “we” or “our”) has adopted the following policies and procedures for proxy voting with regard to companies in client portfolios for those clients who have given us permission to vote proxies on their behalf.

### **KEY OBJECTIVES**

The key objectives of these policies and procedures recognize that a company’s management is entrusted with the day-to-day operations and longer term strategic planning of the company, subject to the oversight of the company’s board of directors. While “ordinary business matters” are primarily the responsibility of management and should be approved solely by the corporation’s board of directors, these objectives also recognize that the company’s shareholders must have final say over how management and directors are performing, and how shareholders’ rights and ownership interests are handled, especially when matters could have substantial economic implications to the shareholders.

Therefore, we will pay particular attention to the following matters in exercising our proxy voting responsibilities as a fiduciary for our clients:

- **Accountability.** Each company should have effective means in place to hold those entrusted with running a company’s business accountable for their actions. Management of a company should be accountable to its board of directors and the board should be accountable to shareholders.
- **Alignment of Management and Shareholder Interests.** Each company should endeavor to align the interests of management and the board of directors with the interests of the company’s shareholders. For example, we generally believe that compensation should be designed to reward management for doing a good job of creating value for the shareholders of the company.
- **Transparency.** Promotion of timely disclosure of important information about a company’s business operations and financial performance enables investors to evaluate the performance of a company and to make informed decisions about the purchase and sale of a company’s securities.

### **DECISION METHODS**

We generally believe that the individual analysts that invest in and track particular companies are knowledgeable and well-suited to make decisions with regard to proxy votes. Therefore, we tend to rely on those individuals to assist us with our final decisions on how to cast proxy votes.

No set of proxy voting guidelines can anticipate all situations that may arise. Therefore, in cases needed we may seek insight from our analysts on how a particular proxy proposal will impact the financial prospects of a company and vote accordingly. We will vote proxies of only the securities we actively hold and will vote solely in the

interest of its shareholders. To actively hold a security the security must have been voted on by the equity committee and officially reside in one of the Howe and Rusling equity portfolios- that being the Core, Equity Income, ETF, or ETF 2 portfolio. We will not subordinate the interests of any of these portfolios to any unrelated objectives. We will act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

In situations we do not hold a security in one of our core portfolios but it is still held within a client account we will vote with management when presented with a proxy.

### **VOTING METHODS**

We employ the use of Broadridge Financial Solutions, Inc. to manage our client proxies. The majority of our holdings release their proxies through Broadridge who automatically votes the shares with management. We are then notified of the proxy via a hard copy in the mail and on the Broadridge secure website, [www.proxyedge.com](http://www.proxyedge.com). In cases we vote against management, we do so through the Broadridge website by obtaining the proxies electronically and switching the votes before the shareholder meeting.

In a few cases, proxies are delivered directly from the custodian (not Broadridge) via hard copies in the mail. In these cases the shares are voted electronically on proxyvote.com using a control number provided on the proxy. Hard copies of the proxy and the voting confirmations are then filed.

### **SUMMARY OF PROXY VOTING GUIDELINES**

#### **Election of the Board of Directors**

We believe that good corporate governance generally starts with a board composed primarily of independent directors, unfettered by significant ties to management, all of whose members are elected annually. In addition, key board committees should be entirely independent.

The election of a company's board of directors is one of the most fundamental rights held by shareholders. Because a classified board structure prevents shareholders from electing a full slate of directors annually, we will generally support efforts to declassify boards or other measures that permit shareholders to remove a majority of directors at any time, and will generally oppose efforts to adopt classified board structures.

#### **Approval of Independent Auditors**

We believe that the relationship between a company and its auditors should be limited primarily to the audit engagement, although it may include certain closely related activities that do not raise an appearance of impaired independence.

We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with a company to determine whether we believe independence has been, or could be, compromised.

### **Equity-based compensation plans**

We believe that appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of shareholders and the interests of directors, management, and employees by providing incentives to increase shareholder value. Conversely, we are opposed to plans that substantially dilute ownership interests in the company, provide participants with excessive awards, or have inherently objectionable structural features.

We will generally support measures intended to increase stock ownership by executives and the use of employee stock purchase plans to increase company stock ownership by employees. These may include:

1. Requiring senior executives to hold stock in a company
2. Requiring stock acquired through option exercise to be held for a certain period of time
3. Using restricted stock grants instead of options
4. Awards based on non-discretionary grants specified by the plan's terms rather than subject to management's discretion

While we evaluate plans on a case-by-case basis, we will generally oppose plans that have the following features:

1. Annual option grants that would exceed 2% of outstanding shares
2. Ability to issue options with an exercise price below the stock's current market price
3. Automatic share replenishment ("evergreen") feature
4. Authorization to permit the board of directors to materially amend a plan without shareholder approval
5. Authorizes the re-pricing of stock options or the cancellation and exchange of options without shareholder approval

These are guidelines, and we consider other factors, such as the nature of the industry and size of the company, when assessing a plan's impact on ownership interests.

### **Corporate Structure**

We view the exercise of shareholders' rights, including the rights to act by written consent, to call special meetings and to remove directors, to be fundamental to good corporate governance.

Because classes of common stock with unequal voting rights limit the rights of certain shareholders, we generally believe that shareholders should have voting power equal to their equity interest in the company and should be able to approve or reject changes to a company's by-laws by a simple majority vote.

Because the requirement of a supermajority vote can limit the ability of shareholders to effect change, we will support proposals to remove supermajority (typically from 66.7% to 80%) voting requirements for certain types of proposals and oppose proposals to impose supermajority requirements.

We will generally support the ability of shareholders to cumulate their votes for the election of directors.

### **Shareholder Rights Plans**

While we recognize that there are arguments both in favor of and against shareholder rights plans, also known as poison pills, such measures may tend to entrench current management, which we generally consider to have a negative impact on shareholder value.

We believe the best approach is for a company to seek shareholder approval of rights plans and we generally support shareholder resolutions requesting that shareholders be given the opportunity to vote on the adoption of rights plans.

We will rarely, if ever, support poison pill provisions.

We will, in most cases, support and vote for the removal of such provisions.

### **RECORDS RETENTION**

We will maintain the following records:

- Copies of all policies and procedures written
- A copy of each proxy statement received
- A record of each vote cast (held electronically via Broadridge)
- A copy of any document created that was material to making a decision on how to vote proxies or that memorializes the basis for that decision. We will maintain a copy of each written client request for information on voted proxies and a copy of any written response to any (written or oral) client request for information on how we voted proxies on behalf of the requesting client fund.

We will maintain records of our proxy voting and any document created that was material in determining the vote for at least two years on site and seven years electronically via Broadridge. Broadridge record security information can be found on their website, <http://www.broadridge.com/security/index.asp>, and we will supply this information to clients upon request.

### **REVIEW VOTING AND GUIDELINES**

The Howe and Rusling Chief Compliance Officer will conduct an annual review of the past year's proxy voting as well as the guidelines established for proxy voting. Along with a review of our internal process, an annual review of our proxy management service, Broadridge, will be conducted to ensure proper electronic voting has been upheld. Documentation will be maintained of this review.

### **CLIENT INFORMATION**

A copy of these Proxy Voting Policies and Procedures is available to our clients, without charge, upon request, by calling 1-800-325-4693. We will send a copy of these

Proxy Voting Policies and Procedures within three business days of receipt of a request, by first-class mail or other means designed to ensure equally prompt delivery.

When proxies have not been received on behalf of a client, we will make reasonable efforts to obtain missing proxies.

In addition, we will provide to each client that has given us proxy voting authority, without charge, upon request, information regarding the proxy votes cast by us with regard to the client's securities.

## **ITEM 18 - FINANCIAL INFORMATION**

- A. We do not require or solicit prepayment of fees six months or more in advance.
- B. We have discretionary authority over client accounts, but we do not have any financial condition that will impair our ability to meet contractual commitments to clients.
- C. We have not been the subject of a bankruptcy petition at any time during the past ten years.