



A PUBLICATION OF TRILLIUM ASSET MANAGEMENT CORPORATION

In Memoriam: Joan Bavaria, 1943-2008

With profound sadness, we announce the passing of Joan Bavaria, our Founding President and CEO



Joan Bavaria changed the lives of millions of people over the world, through her vision, her dedication, her humor, and her humanity.

She was a mentor, hero, and “boss” to those of us at Trillium for over 25 years. Joan’s gifts were a rare combination: tremendous experience and wisdom in the investment business and a passion for the markets, unending

commitment to client service, a unique vision for how the capital markets intersect with society and the environment, an uncanny instinct for points of leverage to foster creative change, the powerful leadership skills to bring that vision to light, and the unwavering belief that a single, committed individual can make a difference in the world.

For a woman of her accomplishments and renown, Joan was exceptionally down to earth and accessible. Her door always

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Yes, We Can, Too

by Shelley Alpern with Jonas Kron

Everyone, from the progressive Left to “Obamican” crossovers, has high hopes for the new administration. Social investors are no exception. We share the expectation that the Obama administration will take a hands-on approach to many of the problems we’ve addressed for years, including climate change and other environmental priorities, predatory lending, inadequate regulation of the financial markets and much more. There’s a subset of policy reforms, however, that are being championed more or

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Dear Reader

by Cheryl Smith,
Ph.D., CFA

Joan Bavaria wrote this column for the past 15 years. Joan was passionately engaged with the world on many levels,

more than any person I have ever known, and her columns reflected her humanity. From the small to the large, from the individual to the global, her deeply personal columns tied her observations of the world to the need for action and a call for our engagement in creating a better world. Joan died on November 18, 2008 after an extended and courageous battle with ovarian cancer. Our world is much the lesser for her passing, and we miss her profoundly.

Joan’s unending optimism and enthusiasm impelled us forward. In October 2000 Green Cross International President Mikhail Gorbachev and Global Green USA honored Joan with the Millennium Award for Corporate Environmental Leadership. At the ceremony, President Gorbachev proclaimed that “History is not pre-ordained.” Joan personified that idea. Whatever she faced, I never saw her show the slightest sign of doubt that persistence, dialogue, and engagement could overcome obstacles. She would square her shoulders, beam her engaging smile, and plunge in. She believed that any social structure, any human institution, is susceptible to change – and her life and work is proof of this.

I visited Joan on November 5, the day after the election. She was thrilled that Barack Obama had won. By that time, she was very frail, and she dozed off and on. But every time she roused, she opened her eyes, gave me a huge smile, and said,



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These are some of the many reflections and reminiscences that Joan's many friends and admirers have shared on our web site and that of Ceres. The staff of Trillium Asset Management Corporation is deeply grateful for your kindness in sharing with us.

"Joan expressed her love for her family, her friends, her colleagues – indeed for our whole world – with joy-filled abandon. She tirelessly reminded us of the glories, opportunities, and responsibilities of life. She believed and taught that for people to make change they needed to exhibit a fundamental integrity – that is to say, to the integration of word and deed, of reason and emotion, of grit and humor."

~ Bob Massie



"I remember the first time Joan flew down to Durham to meet with me. I drove to the airport to pick her up and there, standing on the curb, was this woman in black boots, black jeans, black sweater, dark wild hair. I thought: now this is my kind of boss. Among her many superlative and more public qualities, Joan was also the coolest – an artist and bohemian at heart, a free spirit who infiltrated the system and changed it forever."

~ Farnum Brown

"Joan truly believed each one of us had ideas worth listening to, skills we didn't even know we possessed, and an important role to play in making this world work. No matter our place on the totem pole, Joan made us feel we could all be totally and righteously effective in making business more responsible, and bringing hope to people who needed some."

~ Judy Kuszewski



"As an environmental journalist for nearly 40 years, I feel about Joan Bavaria as a war correspondent might remember Winston Churchill. Her life was that meaningful."

~ William D'Alessandro

"She possessed a quiet tranquility and grace in even the most trying times. And that made her a great leader."

~ Eric Becker



"Joan struck me as a true artist in every one of her domains, from business to life to love to social movements. In our last visit with her during this lifetime, on a Saturday evening in late October, Joan lay on her couch, the queen in her kingdom. There she was, elegant, beautiful, and eyes blazing. She remarked then that it was her quality of focus that she considered her greatest personal quality, and the one that had most let her accomplish so much of what she set out to do."

~ Margaret Flinter



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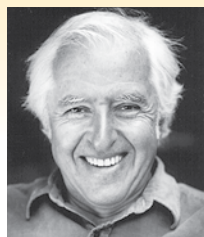
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It Seems to Me by Milton Moskowitz

“When power leads man to arrogance, poetry reminds him of his limitations. When power corrupts, poetry cleanses.”

~John F. Kennedy

As I write this, toward the end of 2008, the world is looking crazier and scarier than ever. I don't want to add to the multitude of punditry already in place. It's time to seek the wisdom, clarity and solace of poetry:

ANYBODY FOR MONEY *Ogden Nash*

Consider the banker
He was once a financial anchor.
To pinch our pennies he would constantly implore us,
And if we wouldn't pinch them ourselves, he would
pinch them for us.
Yes, bankers used to be like Scrooge before he encountered
the ghost of Marley,
But along came TV and now they are Good-Time Charlie.
The bankers have only themselves to blame for the recent
wave of holdups and embezzlements I think
highly probable,
They are behaving so provocatively robbable.

WORLD BANK BLUES *Allen Ginsberg*

I work for the World Bank yes I do
My salary was hundred thousand smackeroo
I know my Harvard economics better than you

Nobody knows that I make big plans
I show Madagascar leaders how to dance
How to read statistics & wear striped pants

We'll loan you money to expand production
Pay our yearly interest, for your own protection
Tighten your belts, we'll have no objection

Get people working on mass market land
Cut down forests, for your cash in hand
Or superhighways money where Rainforests stand

I just retired from my 20 year job
At World Bank Central with the money mob
Go to AA meetings so's not die a slob

Walk the streets of Washington alone at night
The job I did, was it wrong or right?
Big mistakes that've gone out of sight?

It wasn't the job of a bureaucrat like me
To check the impact of the Bank policy
When debt bore fruit on the world money tree.


THE ECONOMIST'S SONG *Stanley Kunitz*

Come sit beneath the tariff walls
Among the scuttling unemployed,
The rodent pack; sing madrigals
Of Demos and the Cyprian maid
Bewildered by the golden grain,
While ships with peril in their hulls,
Deploying on the lines of trade,
Transport the future of gangrene.

HARLEM *Langston Hughes*

What happens to a dream deferred?
Does it dry up
Like a raisin in the sun?
Or fester like a sore —
And then run?
Does it stink like rotten meat?
Or crust and sugar over—
Maybe it just sags
Like a heavy load.
Or does it explode?

THE JEWISH TIME BOMB *Yehuda Amichai*

On my desk there's a stone with AMEN carved on it, one
survivor fragment
of the thousands upon thousands of bits of broken
tombstones
in Jewish graveyards. I know all these broken bits
now fill the great Jewish time bomb
along with the other fragments and shrapnel, broken
Tablets of the Law
broken altars broken crosses rusty crucifixion nails
broken houseware and holyware and broken bones
eyeglasses shoes prostheses false teeth
and empty tin cans of lethal poison. All these
fill the Jewish time bomb till the End of Days.
And though I know all about these, and all about the End
of Days,
this stone on my desk gives me peace.
It is the touchstone no one touches, more philosophical
than any philosopher's stone, broken stone from a broken
tomb
more whole than any wholeness,
a stone of witness to what has always been
and what will always be, a stone of amen and love.
Amen, amen, and may it come to pass. 

Milt Moskowitz is a journalist and author who has been writing about corporate social responsibility since 1968. He is co-author of the annual *Fortune Magazine* survey, "The 100 Best Companies to Work for in America," and the author of *The Executive's Almanac: A Diverse Portfolio of Eclectic Business Trivia* (Quirk Books, 2006)



In Memoriam: Joan Bavaria, 1943–2008 (continued)

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open, she was warm, funny, caring, generous and a great listener. A woman of extraordinary energy, great humor and *joie de vivre*, Joan made it look easy as she balanced her professional commitments with her life as a wife, mother, grandmother, sister, hiker, kayaker, gardener, cook, traveler, reader and more.

As a young woman, Joan enrolled in art school to pursue a passion for painting. After entering the investment industry to support her family, in time Joan turned her creative impulses on her new field, and it would never be the same. Joan inspired, created, and fostered the use of investment assets to create social, ethical, and environmental change. She was often referred to as the “founding mother” of socially responsible investing, which now accounts for nearly one in nine dollars invested in the United States.

In 1982, she founded Trillium Asset Management Corporation (then known as Franklin Research & Development) to develop the field now known as socially responsible investing or sustainable investing. With Joan at the helm, Trillium became the earliest and largest investment management firm devoted exclusively to socially responsible investment. Trillium quickly became a model for independent advisors and other professionals serving social investment clients. Joan served as our Founding President and CEO until her death from ovarian cancer in November.

Joan helped establish and promote the effectiveness of shareholder dialogue to improve corporate outcomes on the environment, human rights, workplace diversity and other areas. She was also an early innovator in the field of community investing, helping clients to direct a portion of their assets to microfinance and community development funds.

Throughout, Joan maintained a commitment to share widely these concepts with others in the investment industry, to catalyze and support a network of investors to promote a new

and improved capitalism. Joan’s passion was to explore and develop all possible means of social progress offered by the capital markets, and to educate other



concerned investors in their use. Toward these ends, Trillium publishes research on social issues and investments, engages with companies on their social and environmental management issues, contributes significant resources to social activism and community work, and donates 5 percent of its before-tax profits to charitable causes. In 1981, Joan also co-founded the Social Investment Forum, an organization of research, advisory, banking and community loan fund organizations dedicated to advancing the concept, practice, and growth of socially and environmentally responsible investing.

Joan was an entrepreneur at heart. She had the ability to gather together diverse groups of leaders, advocates, companies and investors to support the expansion and development of engagement between investors and corporations. One of Joan’s proudest achievements was the creation of Ceres, the first group to bring together investors, corporations and environmental and public interest organizations to promote corporate environmental accountability and public reporting.





In Memoriam: Joan Bavaria, 1943–2008 (continued)

In 1989, the Coalition released the ten principles for environmental management now known as the Ceres Principles. With Ceres, Joan worked with companies that endorsed the Principles and others interested in environmental reporting, community outreach and other issues, including environmental justice. Among many other accomplishments, Ceres launched the Global Reporting Initiative, now the de facto international standard for corporate reporting on environmental, social and economic performance. GRI is used by over 850 companies globally.

In her honor, in 2008 Trillium and Ceres created the Joan Bavaria Awards for Building Sustainability into the Capital Markets to recognize investors, corporations, and NGOs that have helped move the capital markets from a system focused on short-term profits toward one that balances financial prosperity with social and environmental health.

Throughout her career, Joan generously shared her time and effort with others. She served on the Dean's Committee for International Development at Harvard University's John F. Kennedy School of Government and on the Boards of Earthjustice, Green Seal, LightHawk, the Council on Economic Priorities, the Industrial Cooperative Association Loan Fund, the Global Reporting Initiative, and Earth Day Network. She served on the Advisory Boards of the Union of Concerned Scientists and the Greening of Industry Network.



She also served as the Chair of the Community-Based Environmental Policy subcommittee of the National Advisory Committee for Policy & Technology, which advises the Environmental Protection Agency.

Joan received numerous awards

and recognition throughout her career. In September 2008, she received the Charles R. Schwab IMPACT Award® -- an award honoring Joan as an individual trailblazer whose sustained vision, outstanding leadership, client commitment and community engagement clearly demonstrate the value of independent investment advice. Joan commented that this award meant the most to her of all of her awards because it was recognition from the traditional investment world of her transformational effect on the investment industry.

Joan was the winner of the 2005 Botwinick Prize in Ethics, which annually recognizes an outstanding leader who exhibits the highest standard of ethical conduct in business or the professions. In October of 2004, Joan and environmental and human rights activist Tessa Tennant shared the City of Göteborg's International Environment Prize. In May of 2004 she was named one of the 25 most influential people in the plan-

ning profession by Investment Advisor magazine. In December of 2002 she was named by Scientific American magazine as one of the "Scientific American 50." In October of 2000 she was honored by Global Green USA and Green Cross International President Mikhail Gorbachev with the Millennium Award for Corporate Environmental Leadership.

Joan was lauded as "Hero for the Planet" by Time.com in November 1999. Other awards include the New England Women Business Owners Woman of the Year award in 1994, two regional awards from Working Woman Magazine and their Entrepreneurial Excellence Awards in March of 1999.

With all that she did, Joan never lost her focus on her clients, her employees, her family, and her community. We miss her dearly, and honor her with our continued devotion to her vision. ♻️

The lucky people in this world can often point to that one special person who had a profound effect on their lives, that one person who moved them in a positive direction. Joan is that special person to many, many people.

~Blaine Townsend



Yes, We Can, Too (continued)

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less exclusively by the social investing community, and those are the subject of this article. What follows is a brief summary of some of the policy reforms we're audaciously hoping (and lobbying) for to remove specific barriers to the advancement of social investing. (To enhance understanding of these complex issues, the web version of this article at www.trilliuminvest.com links to the original sources cited.)

Risky Business

On December 11, more than 60 social investors (including Trillium Asset Management Corporation) wrote to President-elect Barack Obama seeking the restoration of the right of investors "to propose and vote upon resolutions asking a company to evaluate how specific risks may affect the company's business.... These include the kind of credit risks associated with the mortgage crisis, as well as an array of environmental and social issues which we believe may have large financial implications, e.g., climate change and product toxicity." The appeal stems from the Securities and Exchange Commission's Bush-era stand against shareholder resolutions requesting that a company evaluate the risk related to a line of business or an emerging social or environmental trend. (The SEC arbitrates between companies and shareholder resolution filers when companies challenge the submission of resolutions based on any of 14 technical and substantive rules. Corporations have been arguing that proposals that address risk violate the "ordinary business" exclusion.)

For example, in 2006 the SEC disallowed, on "evaluation of risk" grounds, a resolution at Ryland Group that was virtually identical to a proposal that had passed muster at Ryland the year before. Another example of the use of the head scratch-inducing "evaluation of risk" exclusion was the dismissal of a proposal at Washington Mutual earlier this year asking the company to discuss its potential financial exposure as a result of the mortgage securities crisis. The number of such exclusions as violations of the "ordinary business" rule has increased significantly in the last several years, as have inconsistent applications of the rule.

Making the World Safe for Pension Fund Activism

In October, the Department of Labor (DoL) issued two interpretive bulletins at the prodding of the U.S. Chamber of Commerce. One modified its longstanding view that pension plans may engage in shareholder advocacy without violating their fiduciary duties as defined by the Employment Retirement Income Security Act. Because the letter is confusingly written, the extent to which the DoL is seeking to impose stricter constraints on shareholder advocacy by pension funds is unclear. One thing is clear, though: the bulletin is inconsistent with prior DoL regulations. The Social Investment Forum is calling upon the new administration to discard the bulletin and clarify that existing practice has not changed.

The second bulletin declared that DoL would not, from now on, consider environmental or "so-called 'green' companies" to be acceptable economically targeted investments (ETIs). But why? In a letter to the DoL sent in December, the Social Investment Forum asks, "Why did the Department include an example that seems so out of place, arguably irrelevant, in a discussion of ETIs? Is it, as contemplated by one commentator, a suggestion of a broader

intent behind the ETI bulletin? Or is it so far afield that it should be regarded as an error?" The bulletins are a parting shot from an administration beholden to business interests whose ideology recognizes no value in the consideration of extra-financial factors.

SEC rulings on permissible subjects for shareholder proposals became arbitrary and inconsistent in the Bush era.

Not Too Much Information

Last summer, the SEC announced the "21st Century Disclosure Initiative," inviting investors' comments on the creation of "a comprehensive high-level plan for overhauling the Commission's current forms-based disclosure system." A report is due by year-end. While the Initiative is mostly concerned with modernizing the technology of disclosure, Trillium took the opportunity to respond to the SEC's invitation to comment on any other types of information it should be seeking from companies. We put in a plug for requiring corporate reporting



Yes, We Can, Too (continued)

on sustainability issues such as the environment (e.g., risks to business from water scarcity and climate change) and political contributions. Rather than reinvent the wheel, we suggested, the SEC should look at integrating Global Reporting Initiative reports into its filing requirements. (The French, Danish and British governments, as well as the South African stock exchange, already require sustainability reporting from major companies.)

This is consistent with positions we have supported as a member of the \$7 trillion Investor Network on Climate Risk (INCR), which promotes better understanding of the financial risks and opportunities posed by climate change. In September 2007, the INCR petitioned the SEC to address the obligations of publicly-traded companies to assess and fully disclose the material economic opportunities and risks from climate change. Senate Banking Committee leaders, Senators Christopher Dodd (D-CT) and Jack Reed (D-RI) also supported the petition in a letter sent to the SEC in December 2007, and language urging the SEC to require companies to disclose their climate risks is included in the Senate Committee on Appropriations report accompanying the 2009 Financial Services and General Government Appropriations Bill.

Along these lines, as we wrote about in the Fall 2008 issue of *Investing For A Better World*, Trillium has also lobbied the Financial Accounting Standards Board (FASB) to enhance disclosures about loss contingencies by expanding the population of potential liabilities that must be disclosed, requiring more specific information about those potential liabilities, and mandating clear and transparent disclosure formats. (While FASB is not a governmental body, the SEC has designated it as the organization responsible for setting accounting standards for public companies.)

Why Vote? It Only Encourages Them

Why can't shareholders nominate the board directors who nominally represent them in the governance structure of the corporation? If you answered, "because only the Red Queen could defend the logic of corporate board elections," that is partially correct. But the root cause is that the SEC says we can't.

At the end of 2007, in a vote described by former SEC Chairman Arthur Levitt as "probably the most important vote the commission has taken in nearly 15 years," the SEC Commissioners voted 3 to 1 against allowing shareholders access to management's proxy statement to nominate corporate directors, the most recent defeat for an idea with strong support from shareholders but fierce opposition from the corporate community. But with such strong backing and a friendlier administration in place, the issue is not dead yet. If the SEC doesn't reconsider, Congress may do it for them. Richard Ferlauto, director of corporate governance and pension investment at the American Federation of State, County, and Municipal Employees, told RiskMetrics recently that a proxy access provision

may be included in compensation legislation or a broader bill to overhaul the SEC.

Yes, We Can Provide Mutual Fund Products

And finally, what does one have to do to get a good set of socially responsible mutual fund options around here?

Some federal workers have been asking that question for years because the Thrift Savings Plan, the retirement plan for all federal civilian and armed services employees, currently contains no socially responsible investing options.

Thankfully, Congressman Jim Langevin (D-RI) introduced the Federal Employees Responsible Investment Act at the urging of these workers. Now to pry it out of committee.

A Shareholder Bill of Rights?

With new leadership in Washington, the conditions may be right for shareholders to win, and in some cases win back, their rights. Prior to this fall's stock market meltdown, some were even predicting the passage of a "shareholder bill of rights" – covering executive pay (see Susan Baker Martin's column on page 11) and the right to nominate directors – within the first 100 days of the new Administration. Given the ongoing financial and economic crisis, this is less likely but not out of the realm of possibility. After all, as an investor who personally divested his stock in a company doing business in the Sudan, our new president is certainly sympathetic to at least some of the fundamental ideals of social investing. It's a new day.

If the SEC doesn't reconsider its stance on proxy access, Congress may do it for them.



American Superconductor

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by Alison Haight
& Eric Becker, CFA

American Superconductor (Nasdaq: AMSC) is emerging as a leading player in the wind energy hardware market, particularly in China. The company's core technologies are programmable power systems, including electronic converters, and high temperature superconductor (HTS) wires.

AMSC has quickly grown into a leading wind energy grid connection company, particularly in emerging markets. Its two main wind energy products are an inverter and soft-switch capacitor that maintains fluid voltage, and a scalable converter of wind energy into electricity accessible to the public electrical grid. In 2007 AMSC acquired Windtec and Power Quality Systems to enable further growth in the wind and power grid markets.

In fiscal 2007, 87 percent of the company's revenue derived from wind-related products. China's wind power capacity increased 130 percent in 2007. China's long-term wind capacity is estimated to be 160 gigawatts, which is enormous compared to the current production rate of 4 gigawatts. While competition amongst wind turbine companies operating in China is fierce, there is a glaring absence of grid connection firms to link turbines with power grids. As such connections are AMSC's strength, the company is tapping into this rapidly expanding market. Sinovel, a Beijing-based company, signed a \$90 million contract with AMSC in March 2007 and a \$450 million contract with AMSC in June 2008.

AMSC is also the world's largest supplier of HTS wire, although this industry is still in a pre-commercial stage. HTS superconductors are used as power cables and grid surge protectors, both of which will be important in any upgrade of the U.S. power grid. Superconducting wire has much higher capacity than conventional wire and has much lower power losses in transmission, making it ideal for the much-touted "smart grid" that may be a big beneficiary of federal stimulus spending in the coming years.

Waters

Waters Corporation

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by Alison Haight
& Eric Becker, CFA

Waters Corporation (NYSE: WAT) designs, manufactures, sells, and services analytical instruments involved in high-performance liquid chromatography (HPLC) and ultra-performance liquid chromatography (UPLC), mass spectrometry, thermal analysis, rheometry, and calorimetry. Got that? Waters' clients include pharmaceutical, life science, biochemical, and industrial companies as well as academic institutions and government agencies. Instruments produced by Waters are used in processes such as identification of new pharmaceutical drugs, food safety analysis, and environmental and water testing.

Waters is the world's largest manufacturer of HPLC instruments, chromatography columns, and related consumables and is one of top three players in mass spectrometry. Waters holds the largest analytical instrument market share in the U.S., Europe, and non-Japan Asia and has a strong position in Japan.

Two-thirds of Waters' sales are overseas. A tremendous growth opportunity for Waters lies in quality evaluation and regulated export applications, for example soft drink testing in China, Thailand, Vietnam, and Korea. With much-publicized food safety issues arising in Asia, Waters is well positioned to address this urgent need. A potentially significant growth factor for Waters is the food and drug safety bill under discussion in the U.S. Congress. This legislation, likely to be passed in 2009, would increase manufacturing and testing standards for all food and drugs imported into the U.S.

Waters' products are designed to improve both environmental and human safety, as they are primarily used to detect toxins in food and water, or to develop new drugs. Waters has a publicly disclosed environmental health and safety policy, although the company could significantly improve their sustainability reporting and transparency

Portfolio Profiles are not recommendations for any investment action. They are intended expressly to provide social, environmental and business information on companies that may appear in Trillium Asset Management Corporation ("Trillium") client portfolios. Clients and/or employees of Trillium may own this stock.



Public Radio Capital / Public Radio Fund

by Randy Rice

Mission

Public Radio Capital (PRC) is a 501(c)(3) organization whose mission is to strengthen and expand noncommercial media so that local communities nationwide have access to more in-depth information, unbiased news, diverse music and cultural programming.

History/Structure

Since its founding in 2001, PRC has worked with more than 200 public radio organizations ranging from first-time station owners to the largest, multi-channel public radio operators in the country. PRC has helped these organizations buy and finance new channels, preserve existing public radio outlets, and strengthen their organizations and services.

Public Radio Fund (PRF) was established in 2007 to help public broadcasters and local groups gain access to short-term capital on an affordable basis so that they may quickly and aggressively compete for valuable radio channels when they come on the market. The Fund's near-term goal of raising \$15M in loans is thought to be the largest capital-raising effort to be attempted for the expansion of noncommercial radio channels.

PRC derives income from fee-based work with clients and from contributions and grants from individual and foundations. In addition to core consulting and brokerage services, PRC owns three radio licenses.

PRC's Board of Directors oversees both entities. PRF has an Advisory Council with rich experience in business, finance, social investing and leadership of public broadcasting. The manager of Trillium Asset Management Corporation's Durham, NC branch, Farnum Brown, is a member of PRF's Advisory Council.

Impact

As of December 2008, PRC reports that it has helped public radio operators extend their reach to 33 million people through transactions valued at nearly \$170 million.

PRC believes the need for strong public media has never been greater. In recent years, there has been an alarming down-

sizing in the newsrooms of print and broadcast journalism, along with an explosion of infotainment that passes as news. Corporate media consolidation in the commercial sector during the last decade has deprived many communities of locally owned media. The result has been the loss of independent voices and coverage in depth of substantive issues that matter to people.


There are currently more than 1,700 noncommercial radio stations characterized as public or community, they have an estimated combined \$3.5 billion market value of broadcast licenses. Many of these stations have the potential to reach significantly more people given more effective broadcast schedules, stronger financial management and greater support from their communities. These stations are a critical resource for public radio.

Vision

PRC has adopted an ambitious set of short and long term goals:

- **Protect.** Develop new ownership or operating structures for existing public radio channels so no community loses current public radio services.
- **Expand.** Help public media organizations acquire additional radio assets that allow them to increase program choices and services for new and existing audiences in their communities.
- **Improve.** Increase the capacity of public radio organizations to expand services for new listeners.
- **Innovate.** Develop at least one new public media company to leverage expertise in revenue generation, radio format development, and multimedia solutions to attract new audiences nationwide.
- **Finance.** Raise capital for investments in significant public radio expansion to increase public radio's core assets, audiences and impact.

Investing with PRF

Clients can purchase unsecured promissory notes in PRF beginning at \$15,000, which earn a financial return of 0–3 percent for 3-year notes. Investors may choose the interest rate based on their ability to support the mission. The notes pay simple interest annually on August 31 of each year. 

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Home Depot and the Endangered Forests of Patagonia

by Jonas Kron

Ancient forests in South America...**Home Depot**...environmental groups protest. It may sound like a Hollywood script about the timber battles of the 1990s, but unfortunately it describes the players in the latest chapter in the ongoing battle to protect remaining endangered forests in the world.

In the heart of the Patagonia region of Chile, the multinational consortium of financiers, HidroAysén, is proposing to build five hydroelectric dams on the Pascua and Baker Rivers. The dams, if built, would flood two pristine rivers and nearly 11,000 acres of Chile's most biologically rich forest, agricultural and ranching lands. Included in this area would be some of the world's rarest forest types and the habitat of a critically endangered species – the huemul deer, a Chilean national symbol.

Beyond the direct impact of the dams, the dams' transmission lines would require clear-cutting forested areas for at least a thousand miles. The route would traverse 64 Chilean comunas, including some indigenous communities, and would damage fourteen areas that have been granted protected status under Chilean law because of their unique environmental values and vulnerabilities.

Most Chileans oppose these plans. Over 30 Chilean governmental agencies have joined Chile's forestry agency in publicly expressing strong concern about the potential environmental and social impacts of the plans – and many of them have called for the outright rejection of HidroAysén's inferior environmental study.

In response, a group of Chilean and American environmental organizations including International Rivers, Friends of the Earth, ForestEthics, Rainforest Action Network, Environmental Defense, Sierra Club, Natural Resources Defense Council and Pacific Environment, have been fighting the dams for many years. The campaign has included the usual tactics employed by the environmental community over the years, but this year they have begun to put pressure on the network of companies that are both directly involved and indirectly implicated by the project.

One of those relationships includes Home Depot. CMPC and Arauco are two Chilean timber companies that play a pivotal role in the project consortium. They also happen to be suppliers of wood products to Home Depot – in fact, the company is by far the largest source of sales for the two companies.

Now you may be saying to yourself, didn't we already cross this bridge with Home Depot years ago? And you would be right. In 1999, as part of a broad settlement involving a number of organizations including Trillium Asset Management Corporation ("Trillium"), Home Depot committed to eliminate the purchase of wood and wood products from endangered regions around the world by year-end 2002.

In 2003 as a part of that process, CMPC, Arauco and Home

Depot made widely publicized, written commitments to protect Chilean forests. In that agreement, Home Depot committed "to provide for the protection of native forests in Chile."

Trillium, in cooperation with a group of other shareholders, is leading an engagement with Home Depot focused on Home Depot's commitments to protect the native forests of Chile. Home Depot's relationships with the timber companies offer an important leverage point that can add to the growing pressure on the proposed dams.

The situation also presents serious reputation risk to the company. Not only have some of the best-known environmental groups come out publicly and forcefully in calling attention to Home Depot's relationship with the proposed dams, but in the past sixty days more than 5,000 customers have written to the company to say they will no longer shop at Home Depot because of the proposed dams controversy.

For both of these reasons we believe that Home Depot must take a positive, meaningful and public stand against these proposed dams.

To learn more about the project and Home Depot's relationships, please visit <http://www.internationalrivers.org/en/latin-america/patagonia>.

You may be saying to yourself, didn't we already cross this bridge with Home Depot years ago? And you would be right.



'Say on Pay' Gathers Steam Heading Into 2009

by Susan Baker Martin

Are we the only ones wondering why the daily sight of Wall Street and Detroit execs begging for bailouts while making off with millions hasn't incited rioting in the streets? Consider just one case. Former **Merrill Lynch** CEO Stanley O'Neal walked away with \$161 million dollar exit package shortly before the company's high stake bets in the mortgage market unraveled, revealing losses that exceeded all the profits the firm had earned over the past 20 years. Investors tallied their losses, taxpayers subsidized the takeover of Merrill, and thousands of employees joined the ranks of the unemployed.

How did we arrive at this point? The recipe included convoluted pay structures, short-term incentive bonuses, increasingly complex padded stock options, cronyism and complicit shareholders. The result was a poisonous stew that decoupled pay and performance. It's been labeled the tails-you-win, heads-you-win-even-more scheme, and as we are seeing, it insulates CEOs from the consequences of disastrous risk-taking.

Investors share the responsibility for the environmental, social and financial crises that short-termism and shoddy corporate governance practices have invited. We can no longer afford to tolerate pay packages that encourage short-termism. The issue begs regulatory and legislative reform. But until or unless government action solves the problem, we must continue to promote greater shareholder oversight of executive compensation.

Trillium is part of a broad coalition of investors pressing companies to give shareholders non-binding advisory voting responsibility on executive pay. If corporate boards knew, the theory goes, that shareholders were to vote on pay packages, then the board would provide better disclosure and dialogue with concerned shareholders ahead of time, and those packages would become better linked to performance. The vote is designed to discourage rubber-stamping.

It is more than theory. 'Say on pay' voting has been tried and tested for the past six years in the U.K. Researchers at Yale

examined the impacts of the London Stock Exchange's experience with 'say on pay' votes since 2002. They concluded 'say on pay' is a "demonstrated propellant" of healthier relations between management and shareholders. It is also building a stronger link between performance and CEO compensation. At a recent U.S. House Committee hearing, lead author Stephen Davis recounted the jarring 2003 defeat handed **GlaxoSmithKline's** Board by shareholders who refused to support the top executive pay packages. Davis said the defeat, "produced a virtual overnight increase in the level of dialogue between companies and shareowners." A former board member said the Glaxo loss "concentrated the mind wonderfully. Now the board must base remuneration on performance and be scrupulous about it."¹

'Say on pay' alone won't be the silver bullet that stops oversized pay packages, but it provides a healthier framework for communication. Roughly 100 'say on pay' proposals will be filed in 2009. Trillium Asset Management Corporation has co-filed 'say on pay' resolutions at **Citigroup**, **Intel**, and **United Healthcare**.²

Legislation could help move 'say on pay' closer to reality. In 2007, the House voted 2 to one in support for 'say on pay' legislation in 2007, and then-Senator Obama's co-sponsored the accompanying Senate bill. Confident of victory, labor activists are upping the

ante by filing nearly four dozen resolutions that press for new compensation models better linking pay with performance and longer term measures. Some would extend the minimum period senior executives must hold on to stock options to two years beyond their termination or retirement. Other filers are seeking stricter compensation limits than those required by the government's Troubled Asset Relief Program (TARP), and up to 20 proposals are expected to be filed asking for a shareholder vote on "golden coffin" agreements that provide generous death benefits to families of CEOs and other top executives.

Some companies have gotten the SEC to omit a newest resolution relating to TARP, but given an estimated 215 governance proposals being tracked by the advisory firm RiskMetrics, investors are emboldened to keep the heat on top management to enact real corporate governance reform in 2009.

President-elect Barack Obama was the lead sponsor of say on pay legislation in the Senate in 2008.

1. "Does Say on Pay Work?" The Millstein Center for Corporate Governance & Performance at the Yale School of Management, March 7, 2007.

2. The lead filers of these resolutions are, respectively, the American Federation of State, Count, and Municipal Employees, Walden Asset Management, and the Nathan Cummings Foundation.

What Goes Up Doesn't Always Go Up

by Adam Seitchik, CFA


The latest disaster in the financial markets has once again shown that some of the biggest risks investors face derive from the excesses of free markets themselves. This time it was unregulated lending, leverage and speculation. In 2000 it was over-optimistic and at times corrupt Wall Street analysts, gobbling up creative corporate accounting that massaged income statements to show profits where there were none.

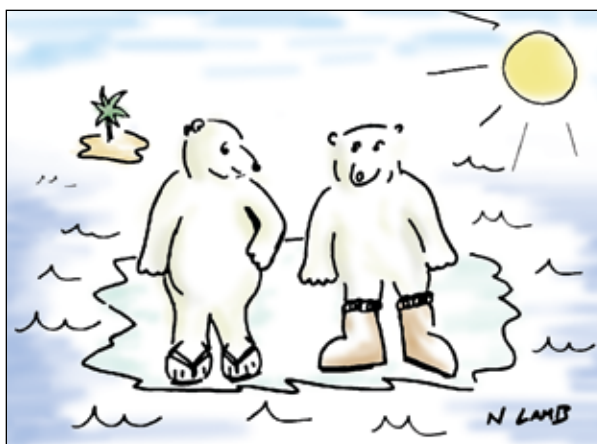
Some of the other systemic risks embedded in financial markets are barely on the radar screen of most investors. These range from unregulated pollution causing global warming, to the worrisome increase in nuclear proliferation during the Bush years. Preventable increases in sea levels might warrant more investor attention than, say, which large-cap growth manager should be hired or fired. There might not have been a worse piece of news for long-term investors over the last decade than Pakistan's A.Q. Khan passing on nuclear secrets to other countries, yet there is no widespread investor effort to reduce the nuclear threat.

Why don't investors pay more attention to these massive risks, and try to do more to reduce them? The answer lies in an almost totemic belief that markets go up in the long run. In fact, financial asset values don't inevitably rise, even over twenty and thirty year periods. Market outcomes are conditioned by the public and private governance systems in which they operate. By influencing these governance systems, investors working together can reduce market risk and positively influence long-term market outcomes. To do so, however, will require accepting that markets do not magically inflate, and that investor passivity is in fact a very risky strategy.

Some large institutional investors are starting to wake up to the latent risks in the system and their role in mitigating them. Investors responsible for over \$15 trillion in assets have signed on to the UN Principles for Responsible Investment, which state that 'environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios.' Investors with

over \$7 trillion in assets (including Trillium Asset Management Corporation) have joined the Investor Network on Climate Risk (INCR), which has been pushing for more analysis and disclosure of the potential impact of climate change on corporate performance. Capitalizing on the regime change in Washington, INCR's members are advocating strongly for improved public policy to ensure global emissions reductions.

It is an enduring irony, last learned during the troubles of the 1930s and 1960s, that no group has a greater self-interest in vigorous public governance than the investor class. The door has opened for substantial public policy reform not only in the financial sector, but also on other critical issues affecting long-term investor outcomes. These range from energy and the environment, to health care, income distribution, and global security. With the widespread use of mutual funds and other diversifying strategies, virtually all investors large and small have a stake in eliminating environmental, social and governance failures in the service of their long-term portfolio returns. Investors of the world, unite! 



"Those are so pre-warming."

Dear Reader

Continued from page 1

"WE have a new President!" She also told me, very firmly, that "Isaiah was wrong, you know!" Apparently she had had a conversation with my son Isaiah, now a senior in college, when he was about twelve. He had been despairing of the political and economic climate. She had told him that the world was moving in his direction, becoming more multicultural, more mixed-race, and that we would soon see enormous changes in our political leadership. He told her, with all the certainty of the young, that he would never see a black president in his lifetime. I replied that Isaiah would evidently have to eat some crow, at which she scrunched up her face and said "Crow is nasty! He shouldn't eat crow – he needs to eat his hat!" Isaiah complied, emailing Joan a picture of himself munching on his cap. She was delighted, printed a copy, and showed it to her visitors after that. How very like Joan – to remember a conversation a decade ago with a young man, to delight in every sign of progress toward a more just and better world, to remind us all of the unlimited need for hope and the boundless possibilities for positive change.

So – we here at Trillium Asset Management Corporation pledge to move forward, chin up, full of optimism and determination to create the opportunity for change!

Cheryl Smith, Ph.D., CFA, Co-CEO, President
Trillium Asset Management Corporation