



Investing for a Better World

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Green Power Boosted by Corporate Demand

By Steve Lippman

"Americans can always be counted on to do the right thing... after they have exhausted all other possibilities." - Sir Winston Churchill

These days I don't know whether to characterize that quote as overly harsh or overly optimistic. But it seems an apt description of the growing number of companies demanding renewable energy for their electricity needs. Whether spurred to action by rolling blackouts, price spikes, or concerns about climate change, leading

companies are now buying green power from utilities, purchasing renewable energy credits that fund development of new alternative energy supplies elsewhere in the grid, or installing solar cells, wind turbines, hydrogen fuel cells and other alternative energy sources to generate green electricity at their own facilities.

As one recent example, **Wells Fargo** just made the largest corporate purchase of

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Renewable Energy in Your Trillium Portfolio

By Ann M. Cummings and Eric Becker, CFA

As global energy demand increases and global warming advances, developing clean energy sources and using energy more efficiently becomes more essential with each passing year. Many thoughtful investors may wonder what they can do to support and encourage progress in this area. Trillium's model portfolios al-

ready include a wide variety of companies that are developing, providing, and purchasing clean energy, as well as firms focused on energy conservation.

There are many ways to invest in renewable energy, with investments in companies that actually manufacture wind turbines, solar panels, and fuel cell power systems

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Dear Reader



Joan Bavaria

Milton Friedman passed away recently at the age of 94. "Among economic scholars, Milton Friedman had no peer," Ben S. Bernanke, the Federal Reserve Chairman, said, "The direct and indirect influences of his thinking on contemporary monetary economics would be difficult to overstate."¹ Although Milton Friedman directly attacked socially responsible investing, I mourn his passing, for he caused all of us who work with and around money to think, to stretch our imaginations, and test our theories of economic systems that would better care for and preserve the populations of the Earth and the planet itself. Importantly, for most of us, this effort involved the protection of, not destruction of, a free market.

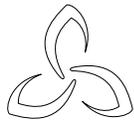
"The Social Responsibility of Business is to Increase its Profits" is an unambiguous statement. But as Dr. Friedman elaborated on this basic concept, he opened important intellectual doors. "Of course, in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions." He referred to the corporation improving a community to "reduce the wage bill" or "lessen losses from pilferage and sabotage." Even as he railed loudly against the "political mechanism" that he defined as collectivist, he understood that a community's well-being affects the destiny of the corporation.²

Whether we mean to or not, those of us in

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Media Reform: *This* Revolution Won't Be Televised

By Blaine Townsend



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You won't see headlines about the need for media reform. But it does matter. A lot. Media reform is essentially the watershed issue that affects everything from the environment to the quality of our electoral process. And like many areas where the "free" markets have broken down, the importance of the issue is reflected in big clashes between public and private interests and small travails that affect the quality of everyday life.

Campaign finance reform, for example, is a big clash. Media outlets seldom provide much in-depth coverage of political campaigns because television and radio companies get virtually all of the hundreds of millions of dollars spent each year on political advertising. Why give the coverage away when someone will pay for it? According to a study by the Columbia School of Journalism, by the year 2000, television and radio stations were earning more than \$600 million in advertising revenue.

They also use their corporate muscle to prevent meaningful reform from taking place. According to the Center for Responsive Politics, the National Association of Broadcasters and five media outlets spent nearly \$11 million from 1996 through 1998 to defeat campaign finance bills mandating free air time for political candidates.

This ain't what Congress had in mind in the 1930s when they granted the first media companies free use of the broadcast spectrum in exchange for helping to educate the electorate (!) and working in the public interest. Or what Congress should have intended when it handed over the digital spectrum (again for free) in 1997.

Now, a handful of huge media companies control most of the outlets for public expression in this country. From Fox News's coverage of the Iraq War to the Dixie Chicks de facto censorship on **Clear Channel Communication** radio stations, there are many examples of why that is not a good thing for the consumer. My personal favorite was the moment I accidentally realized that big

media companies are adept at making artistic moments fungible for profit. And this happened before the wave of consolidation that created the current group of media behemoths.

In 1992 I spent an afternoon in Golden Gate Park listening to a radio simulcast of a tribute concert celebrating Bob Dylan's 30th anniversary as a recording artist. It was in 1962 that Columbia Records released "Bob Dylan," a self-titled LP that captured Dylan's early singing and guitar style, which he admittedly lifted directly from his idol, Woody Guthrie.

In fact, the final song on the album was a tribute to Woody Guthrie titled "Song to Woody," which ends with the line: "The very last thing that I'd want to do, is to say I've been hittin' some hard travelin' too." It is a very poignant line that makes it clear that although the 19 year-old Dylan might have fooled his folk audience with his hard-travelin' folk persona and Dust Bowl singing style, he was not fooling himself.

As I listened to the concert, I was curious to hear what Dylan would sing as a follow-up to three hours of all-star tributes to himself. When he finally took the stage, the first song he performed was "Song to Woody." What a powerful and classy gesture from the enigmatic artist.

The Columbia label apparently missed the significance of this moment. When they released the live "tribute" album about a year later, Dylan's first number was the more commercially appealing "It's Alright Ma I'm Only Bleeding." "Song to Woody" did not even appear on the album at all.

In the face of Fox News' jingo-journalism and Big Media's role in stifling political reform, the "Song to Woody" omission is a trivial matter. But I never forgot my feeling as a consumer and it opened my eyes to the question: should a handful of big companies be the arbiters of information and free expression in this country?

I think Bob Dylan answers it best: "When something's not right, it's wrong."

Look for more specifics on Trillium's media reform work in upcoming issues! 

Let's Get Phillip Morris to be More Self-Destructive

If you don't think we live in a bizarre world, you need to catch up with the latest contretemps over health and cigarette smoking.

Tobacco companies have become pariahs and the targets of numerous law suits from smokers and government agencies seeking to fill their coffers with cash settlements. As a former smoker, I have always been a little dubious about the claims brought by hardened smokers who said they were misled by ads because it seemed to me that one had to be blind, deaf and dumb not to be aware of the dangers of smoking.

In any case, in the last few years **Philip Morris**, the industry's biggest player, has turned over a new leaf, admitting that smoking cigarettes can be harmful and urging parents to warn their children about taking up this habit. They are no longer allowed to run television ads for cigarettes but instead have crafted public service-like messages that talk of smoking's dangers.

Go to the Philip Morris website and you will find statements such as the following:

"Philip Morris agrees with the overwhelming medical and scientific consensus that cigarette smoking causes lung cancer, heart disease, emphysema and other serious diseases in smokers."

"Smokers are far more likely to develop serious diseases like lung cancer than non-smokers."

"There is no such thing as a safe cigarette."

"Philip Morris agrees with the overwhelming medical and scientific consensus that cigarette smoking is addictive."

Hey, to me that's pretty amazing. This may be the first time in the history of business that a company has been shamed into labeling its principal product as a potential killer. Philip Morris said that since 1998 it has spent \$1 billion on campaigns to stop young people from smoking? How bizarre is that?

But wait, an editorial in the November 27th *New York Times* reported that studies by academics found that these campaigns have been ineffective in stopping kids from smoking. In fact, the studies found that the more teenagers were exposed to the ads, the more likely they were to smoke.

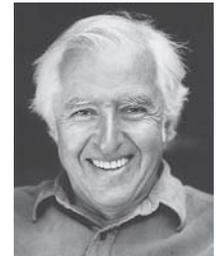
Welcome to the world of advertising. It's only people outside the advertising industry who believe that ads have magical powers to induce people to do what the advertisers want them to do. Many ads fail miserably to accomplish their mission. All the advertising in the world couldn't sell the Edsel. And all the advertising the **Gap** is now doing has been unable to lure shoppers into its stores. For many years **Hershey** did very well without spending a cent on advertising. Consumer behavior is influenced by many factors beyond advertising.

But the *New York Times* is not having any of that. Its editorial suggested that the Philip Morris campaign may be a sham. It alleged that Philip Morris just isn't trying hard enough with these ads. The company, said the *Times*, "is renowned for its marketing savvy. If it really wanted to prevent youth smoking...it could surely mount a more effective campaign to do so."

So, Philip Morris, get back to your ad agencies, hit them over the head and demand that they come up with creative ways to undermine Marlboro and all the other brands sold by the company. We know you can do it!

One footnote to this bizarre episode. If you were sitting around at the beginning of the century, in January 2000, looking for a good stock to invest in for your children's future, what should you have bought? Answer: Altria, Philip Morris's parent company. Its share price is up 238 percent, biggest gainer among the 30 Dow Jones Industrial stocks. And how bizarre is that? ☺

It Seems to Me Milt Moskowitz



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)

Green Power Boosted by Corporate Demand

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renewable energy to date, with a commitment to buy 550 million kilowatt-hours of wind energy for the next three years, starting this past October. That accounts for 40 percent of the company's total electricity use in a year. The switch reduces carbon dioxide emissions from Wells Fargo's electricity use by 380,000 tons annually, the equivalent of taking 75,000 cars off the road. (Last year we joined the Service Employees International Union in filing a shareholder resolution asking Wells Fargo to take more steps to address the risks of climate change. In addition to its green power purchase, the company has begun to introduce some greener product offerings, like mortgages that encourage energy efficiency, although the company also continues to provide significant financing for coal companies as well. We're currently seeking opportunities to talk to Wells Fargo about these contradictions and encourage the company to take a holistic and strategic approach to addressing climate change.)

Wells Fargo joins a list of other companies taking leadership in demanding renewable energy. Green power accounts for 100 percent of total electricity use at **Whole Foods**, 30 percent at **Johnson & Johnson**, 20 percent at **Starbucks** and **FedEx Kinko's**, and 14 percent at **Staples**. All those companies are among a dozen corporations that joined a partnership with the World Resources Institute called the Green Power Market Development Group to boost their purchases of new renewable energy. (We're proud to note that all these companies are core holdings of Trillium Asset Management, in part due to their leadership on renewable energy and other environmental issues.) That partnership formed in 2000 with the goal of using corporate demand to catalyze the generation of 1,000 new MW of green power by 2010. As of last year, the group had purchased 360 MW of new renewable electricity, eliminating 240 million tons of carbon dioxide emissions a year.

Although 98 percent of electricity generation in the U.S. still comes from fossil fuels or nuclear generation, the demand for renewable power is beginning to add up to large numbers. A study by the U.S. Department of Energy found that at the end of 2004, demand for green energy from corporations and individual consumers had led to the development of 2,220 MW of new wind farms, solar plants, and other renewable energy generation, with another 455 MW under construction. Those numbers are likely even higher today, given the large renewable purchases Wells Fargo, Whole Foods, and others have announced since DOE completed its last analysis.

Most of these large corporate purchases of green energy are made possible by the development of a market for renewable energy credits, sometimes also called green tags or tradable renewable certificates. By buying renewable energy credits, companies fund renewable power generation which offsets some or all of their electricity use. In short, renewable energy credits let companies buy green power whether or not the renewable energy they buy goes directly to their facilities or (more often) is put into the overall grid for others to use.

To verify that green power purchases come from legitimate renewable sources, many companies ensure their purchases meet an independent certification standard called Green-e, which is administered by the non-profit Center for Resource Solutions. The Green-e standard sets certain environmental and quality standards for green power generation, and applies to solar, wind, geothermal, generally small-scale hydropower meeting certain environmental conditions, biomass, biodiesel, and hydrogen fuel cells. The Center for Resource Solutions conducts annual verification reviews of Green-e certified electricity providers.

While green power sources still often cost more than conventional electricity, that gap is shrinking. Many of the companies profiled in this article have linked green power

Renewable energy credits let companies buy green power whether or not the renewable energy they buy goes directly to their facilities or (more often) is put into the overall grid for others to use.

Green Power Boosted by Corporate Demand

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purchases to energy conservation programs and employee energy awareness programs that have kept their overall electricity costs flat or even decreased their total energy costs.

Beyond buying green energy or renewable energy credits from others, a growing number of companies are also starting to generate renewable energy at their own facilities. This October, **Google** announced it will install 9,000 solar panels at its one-million square foot headquarters campus in Mountain View, California. This system will be able to generate 1.6 MW, providing about 30 percent of the electricity Google uses at the facility, and it represents the largest solar power installation at any corporate facility in the U.S. Nor are only high tech leaders installing PV solar cells.

Johnson & Johnson has already installed nearly as much solar capacity as Google's headquarters project, although the cells are spread across multiple JNJ facilities.

Other companies are experimenting with ways to encourage development of solar power for their facilities without buying the solar panels themselves. For instance, in 2004 **Staples** joined an innovative agreement to host solar cells on several of its warehouses and buy the power from those cells for ten years, while letting other investors actually purchase, install, and maintain the equipment. This partnership encourages the installation of more solar capacity without requiring Staples to put up capital expenditures, which are instead financed by an affiliate of Goldman Sachs attracted to a low-risk investment in alternative energy. (More in-depth details of the arrangement and an explanation of the benefits to the companies and the solar power movement are available at http://www.thegreenpowergroup.org/pdf/case_studies_Staples_2.pdf.)

Nor are solar cells the only option for on

site alternative energy generation. A subsidiary of Johnson & Johnson located near a closed landfill in California began piping landfill gas to onsite generators that provide both electricity and hot water to the building. That landfill gas was previously burned without being used. **Interface Flooring Systems** is displacing about 20 percent of the natural gas it uses at its Lagrange carpet factory by using landfill gas to fuel two heaters and a boiler.

On-site hydrogen fuel cells, which convert natural gas to energy without burning it, are also gaining popularity with companies that seek not only cleaner power, but more reliable power as well. For instance, **Verizon Communications** uses hydrogen fuel cells to power its facility in Garden City, New Jersey that provides telephone and data services to 35,000 Long Island customers. The seven on-site hydrogen fuel cells not only provide electricity to power the building, the heat and water they generate as byproducts are used to reduce the facility's heating and cooling needs by a third.

In these and many other ways, leading companies are helping promote a much needed transition to cleaner energy sources. Five companies currently buy more green power than the U.S. Department of Energy does. Companies make up more than half of the top 25 green power purchasers in the U.S. tracked by the U.S. Environmental Protection Agency. (Federal government agencies, local municipalities, and universities fill out the rest of the list.) At Trillium Asset Management, we're working to encourage more companies to join this market shift that's bringing new sources of green power into the U.S. electricity grid...maybe even before they exhaust all other possibilities. ♻️

As this article goes to print, Trillium is updating our own energy consumption data and finalizing plans to offset our emissions for the first time.

Resources

Green Power Market
Development Group

(www.thegreenpowergroup.com)

Renewable Energy in Your Trillium Portfolio

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being the most obvious. Less apparent are companies that make systems or tools used in the generation or transmission of renewable energy, provide indirect technical support, and purchase renewable energy.

In order to gain some perspective on the megawatt (MW) numbers discussed below, it is helpful to consider that California needs approximately 50,000 MW of capacity on a hot day. A large coal power plant may have 300-700 MW of capacity and a nuclear power plant may have 1,000-2,000 MW (1-2 gigawatts) of capacity.

Wind Energy. Over 59,000 MW of wind capacity are in use throughout the world today, according to the Global Wind Energy Council. Total wind power capacity in the United States is approximately 10,000 MW according to the American Wind Energy Association.

There are a number of companies in Trillium's portfolios that invest in wind energy, but the level of involvement for all of these companies remains relatively small. Unfortunately, there are no pure-play wind companies that are publicly traded in the U.S. Energy giant **BP** owns two small wind farms in the Netherlands with a total capacity of 30 MW. BP's goal is to grow this business to 450 MW by 2008 and become a major wind operator by 2015. Electric utility **Puget Energy** operates a wind farm in Washington State and is building a second one due for completion in late 2006. Total capacity for these wind farms will be 380 MW. **Avista** and **Alliant Energy** both purchase wind power from the State Line Wind Farm, which has 300 MW capacity. **Enbridge**, a Canadian pipeline company, has a number of small wind projects underway and a 200 MW farm in development.

Companies that support wind generation include an **Emerson Electric** subsidiary that supplies wind turbine generators and a **Thomas & Betts** subsidiary that supplies steel support structures for turbines. On

the retail side, **Whole Foods Market** has purchased enough wind energy credits in the U.S. to offset 100 percent of the electricity use in all of its facilities.

Solar Power. Wind power looks positively abundant when compared to solar energy, especially in the U.S. Solar photovoltaic (PV) systems supply less than 1 percent of the electricity in the U.S., and a large solar PV installation might have a capacity of 10 -12 MW. Current solar energy capacity is limited by high costs. Refined polysilicon, used to make solar cells, is scarce, and the cost of producing it is high. A priority for the solar PV industry is to quickly lower the cost of producing solar cells. Still, with many states offering incentives for solar installations, the U.S. Department of Energy Office of Energy Efficiency and Renewable Energy predicts that by 2020, solar PV capacity could potentially reach 30,000 MW.

Solar related holdings in Trillium's portfolios include **BP**, one of the world's largest solar PV panel producers. **MEMC Electronic Materials**, another Trillium selection, manufactures polysilicon for semiconductors and solar cell makers.

Other companies on Trillium's list support solar energy by purchasing and installing solar systems at their facilities. The latest newsmaker in this area is Google, which announced its plan to install 1.6 MW of solar panels at its Mountain View, CA, campus. **Whole Foods**, **UPS**, **FedEx**, **Staples**, **Target**, **Interface**, and **Pepsi** have installed solar systems at various facilities.

Geothermal Energy. A less discussed renewable energy source is geothermal energy, which taps into the hot fluids beneath the Earth's surface to generate heat or electricity. This technology has virtually no greenhouse gas emissions associated with it. Trillium portfolio holding **Ormat Technologies** owns

There are many ways to invest in companies involved in renewable energy, with investments in companies that actually manufacture wind turbines, solar panels, and fuel cell power systems being the most obvious. Less apparent are companies that make systems or tools used in the generation or transmission of renewable energy, provide indirect technical support, and/or purchase renewable energy.

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and operates geothermal power plants with more than 364 MW of capacity and also manufactures systems for recovered energy-based power generation (using waste heat from industrial processes).

Fuel Cells and Hydrogen. Fuel cells convert hydrogen-based fuels to electricity via an electrochemical process, not combustion. The result is a dramatic reduction in pollutants such as SO₂ and NO_x and a reduction of carbon dioxide emissions by about 20 percent versus the average U.S. power plant. While fuel cells are often discussed as an alternative to the internal combustion engines for automobiles, their near-term promise is in stationary applications such as generators for hotels or industrial sites. **FuelCell Energy** is a leading manufacturer of stationary fuel cell power plants. **Toyota** manufactures, on a limited basis, fuel cell vehicles. **Air Products** produces hydrogen fuels and is partnering with fuel cell firms to develop related technologies.

Energy Efficiency. While clean energy is getting most of the ink these days, energy efficiency is going to be a critical component of any solution to the global warming crisis. While pressing many portfolio companies to improve the energy efficiency of their operations, a couple of Trillium's holdings offer products and services to help companies do just that. **Johnson Controls** designs building management systems that control lighting, heating and cooling and incorporate solar energy. **Baldor Electric** makes energy efficient motors. The U.S. Department of Energy estimates that 25 percent of electricity is consumed by industrial electric motors in the U.S., making it the single largest end use of electricity. Baldor markets its motors explicitly based on energy savings.

Alternative Energy Exchange Traded Fund. Another significant Trillium portfolio holding is the **PowerShares**

WilderHill Clean Energy Portfolio (PBW), an exchange traded fund (ETF) that includes many companies developing and supporting renewable energy (including many of the companies already mentioned in this article). This fund allows Trillium to efficiently diversify exposure to clean energy in our clients' portfolios. The ETF tracks the performance of the WilderHill Clean Energy Index, an index of clean energy related stocks that was launched in January 2001. Stocks in the index include companies in six areas: renewable energy supplies, energy storage, cleaner fuels, energy conservation, greener utilities, and power delivery and conservation. More specifically, the index includes companies focused on solar power, wind energy, fuel cells, and superconducting materials.

PBW trades like a single stock, but gives investors exposure to about 40 clean energy companies that are included in the index. This gives investors a chance to bet on the long-term future of the alternative energy industry without having to pick individual stocks or technologies that face significant risks. It's a lower-risk way of investing in this promising but volatile area.

The companies in Trillium's portfolios are responding to climate change by finding cleaner sources of energy, new applications for existing technologies, or new ways to reduce their own energy usage. Trillium is always looking for new investment opportunities in this area and has recently added another exchange traded fund to portfolios, the **PowerShares WilderHill Progressive Energy Portfolio (PUW)**. There is no single answer to all our energy needs, and Trillium's portfolios reflect the multidimensional approach we must take in finding workable solutions. ♻️

The companies in Trillium's portfolios are responding to climate change by finding cleaner sources of energy, new applications for existing technologies, or new ways to reduce their own energy usage.

Resources

www.gwec.net

www.awea.org

Baldor Electric Company

Baldor Electric Company
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Baldor Electric (NYSE – BEZ) is an energy efficiency play hidden in plain sight. The Arkansas-based company manufactures electric motors, drives, generators, and related products. As Trillium continues to seek investments that will benefit from an increased worldwide focus on clean energy and energy efficiency, Baldor stands out as a high quality, profitable firm whose products are part of the solution.

According to the U.S. Department of Energy, an estimated 25 percent of electricity is consumed by industrial electric motors in the U.S., making it the single largest end use of electricity. Baldor markets some of its motors explicitly based on the energy savings its customers can derive. As a result of the increasing cost of electricity (up 10.9 percent from 2004 to 2005)

Baldor expects sales of its premium efficient Super-E motors to grow at a faster rate than standard motors. High efficiency motors currently make up less than 20 percent of sales, but with their higher growth rate Baldor believes that the upside is for these motors to account for 50 percent of their sales.

Baldor's focus on manufacturing energy efficient motors has earned the company numerous corporate social responsibility awards. The company ranked 95th in *Business Ethics Magazine's* 2006 list of the 100 Best Corporate Citizens. Baldor was also included in B20: The World's Top Sustainable Business Stocks chosen by SustainableBusiness.com. The company is also committed to maintaining its manufacturing operations in the U.S. for products sold domestically.

— Sonal Mahida & Eric Becker, CFA

Baxter International

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Baxter International (BAX – NYSE) is a leading global health care products firm with a very strong sustainability commitment. The company's products focus on the treatment of complex medical conditions, including hemophilia, immune disorders, infectious diseases, cancer, kidney disease, trauma and other conditions.

As one of the first companies to align sustainability reporting with the Global Reporting Initiative guidelines in 1999, Baxter has been recognized as one of the Top 50 Global Reporters by SustainAbility and the United Nations Environmental Program. Further, the company is a member of the Business Environment Leadership Council on global climate change and helped to pioneer the formation of the Chicago Climate Exchange. Baxter was awarded the U.S. EPA's Climate Protection Award as a result. The company has endorsed the Ceres Principles.

But Baxter has shown that this is more

than just talk. Since 1996, the company has reduced greenhouse gas emissions by 27 percent per unit of production, toxic air emissions by 85 percent per unit, non-hazardous waste by 40 percent, packaging by 20 percent, and water use by 25 percent. Baxter recycles 60 percent of nonhazardous waste and sources 4 percent of electricity needs from renewable sources.

Social and environmental concerns remain, with the company under pressure from environmental and health advocates to eliminate its use of DEHP, a highly toxic chemical, used to soften PVC for medical equipment. The company has also been cited for numerous violations for improper wastewater discharge. Like many major health care providers, Baxter faces lawsuits over drug pricing and product safety.

— Natasha Martin Lamb with Adam Seitchik, CFA and Stephanie Leighton, CFA

Native American Bank, N.A.

Overview

Native American Bank, N.A. (NABNA) is a certified Community Development Financial Institution (CDFI) promoting economic development in areas that are underserved by traditional financial institutions. NABNA is committed to being a self-sustaining CDFI and is the only Indian-owned community development bank in the United States.

Background and Mission

Native Americans rank last among all demographically identified groups in America in terms of poverty, unemployment and substandard housing.

In 2001, following years of study and deliberation on the part of many Indian leaders, twenty tribal investors pooled their resources and established Native American Bank through the purchase of Blackfeet National Bank in Browning, MT. NABNA is owned by Native American Bancorporation

The mission of NABNA is to pool Indian economic resources to increase Indian economic independence. NABNA's broader vision is to be a powerful engine for Indian economic development, establish a significant Indian presence in the financial marketplace, and project the growing economic power of tribes and Indian businesses onto the national scene.

Services

The core banking functions of NABNA provide Indian Country with a commercial bank that is expert in the unique aspects of doing business in Indian Country, i.e., one that understands tribal sovereign immunity, tribal courts, trust lands and other special aspects of lending in Indian Country.

The most significant component of NABNA's banking functions is making loans. NABNA makes commercial, mortgage and agricultural loans in Native communities. More than 85 percent of NABNA's loan portfolio involves loans to Native Americans.

The executive offices of Native American Bancorporation and NABNA are located in Denver, CO. The principal banking office of NABNA is in Browning, MT, on the Blackfeet Indian Reservation, located in north-west Montana. The 1.5 million acre reservation is home to about 7,500 members of the Blackfeet Nation. Over time, NABNA expects to open offices (including branches) that will serve local reservation communities

In addition to loans, the services that NABNA provides to its commercial and tribal include:

- Checking accounts
- Cash management services
- Money market accounts and certificates of deposit
- Electronic banking
- Funds transfer
- Letters of credit

Impact

During 2005 NABNA:

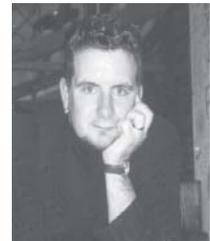
- Loaned more than \$26 million. 50 percent of its loans were made to borrowers making less than 80 percent of the area median income.
- Loaned \$852,000 to affordable housing loan providers.
- Loaned \$3.1 million to entities creating or preserving jobs for low-income persons, and
- Established its first loan/deposit production offices on the Rocky Boy's Indian Reservation in Montana and in Anchorage, Alaska.

Investing with NABNA

NABNA certificates of deposit are market-rate, FDIC-insured investments. On behalf of our clients, TAMC will make investments with NABNA of at least \$5,000 for a term of not less than two years. 

Community Investment News™

Randy Rice



Geographical Impact

Native Communities in the U.S.

Lending Focus

Housing Lending: 10%
 Small Business: 85%
 Community Development: 5%

Financial Indicators

As of 12/31/05 (in thousands)

Total Assets	\$38,301
Total Liabilities	\$32,209
Total Liabilities and Equity Capital	\$38,301
Total Revenues	\$2,298
Total Expenses	\$3,956
Net Income	\$-1,657
Portfolio	\$26,706
Loan Loss Reserves	\$517

In the first 9 months of 2006 NABNA earned \$414,000 in net income.

Q3 2006 also marks 12 straight months of growing profitability for NABNA.

Roadblocks on the Information Highway?

Shareholder Activism

Steve Lippman



Allowing service providers to discriminate in the speed of content delivery could hinder access to websites of political and advocacy groups that don't have the resources to pay for faster loading, or that advance ideas not favored by giant telecommunications companies.

"Freedom of the press is guaranteed only to those who own one," said A.J. Liebling.

Nobody really owns the decentralized network of networks that make up the internet, but major telecommunications companies like **AT&T**, **BellSouth**, **Verizon**, and **Comcast** act as gatekeepers that own how millions of individuals connect to the Internet. As they invest billions of dollars in new fiber optic networks to allow service offerings like online movies and internet-based telephone calls, they've argued they should be able to charge users and even content providers for access to those faster systems. The same way **UPS** might choose to pay the tolls on private toll roads that have cropped up in congested cities like Denver and LA to ensure on-time delivery of packages, the telecoms argue that content providers could pay to use less congested, high speed network access, especially for data-intensive offerings like on-line video.

That seems fairly reasonable on its face, but it raises troubling questions. There are lots of surprise internet success stories from **Google** to **YouTube** that might never have gotten off the ground if they'd had to pay millions of dollars in fees to reach users from the start. High fees or slow download speeds could easily stop new innovation like that represented by **EBay**, which grew from an online auction site that a programmer built over a Labor Day weekend in order to sell a friend's collection of Pez dispensers into a company with \$4.5 billion in annual revenues today.

Even more troubling, allowing service providers to discriminate in how quickly they provide different types of content could hinder access to websites of political and advocacy groups that don't have the resources to pay for faster loading, or that advance ideas not favored by giant telecommunications companies. As a real world example, **Telus**, a major Canadian telecom

company, blocked access to a union website and other sites supporting its workers involved in a labor dispute. **AOL** blocked all e-mails that mentioned a website fighting the company's proposed pay-per-e-mail pricing plan. In both cases these blockages were brief, but the possibilities of private censorship of the web remain troubling enough that groups across the political spectrum—from **MoveOn** to the **Christian Coalition**—have joined together to fight for tough protections of the internet.

The issue gained prominence in the last session of Congress after the Federal Communications Commission ruled in August 2005 that internet services provided by phone companies are not bound by the common carrier regulations. (Those are rules dating back to the days of telegraphs that prevent phone companies from deciding whose calls they carry on their phone lines and whose calls they won't carry.) To replace the common carrier standard for services like DSL, the FCC established four net neutrality principles, which many advocates see as insufficient protection against content discrimination. However, the FCC did fine a small local telephone company, **Madison River Communications** for blocking its DSL customers from using competing internet telephone services and the company stopped that practice.

In 2006, Congress considered five different bills to protect network neutrality, although none of them passed. Incoming Democratic Congressional leaders, including House Speaker Nancy Pelosi, have expressed support for network neutrality legislation, and the next Congress is much more likely to act on the issue. This past year, we contacted several key members of Congress in favor of legislation to protect innovation and freedom of information on the internet, and will be doing so again as the new Congress convenes. I just hope they get our e-mails....

The Michael Jordan Principle

"It's the Michael Jordan Principle. If he can get \$30 million, I have to get it." - Joseph Bachelder, CEO compensation negotiator

We, the body politic, have utterly failed to rein in outrageous executive pay packages.¹ Since CEO pay began to skyrocket in the late 1970s, efforts to restrain it through limitations on golden parachutes, increased disclosure, tax incentives have all perversely backfired. (For example, increased disclosure allowed CEOs to see what their peers were making and use that to negotiate more effectively.) The greed, self-entitlement and cronyism that drive these paychecks through the roof have foiled us every time. You can't shame the shameless.

The premise underlying today's executive excesses is that CEOs and other senior executives deserve to be compensated on a commission basis for all the big deals they're pulling off. Harvey Golub, the CEO of **American Express** in the 1990s, made \$57 million salary, bonus and restricted stock over eight years, exercised options worth \$92 million and upon retiring, was granted another 990,000 in options. Pointing to the \$55 billion in increased market cap during his tenure, he asked the *Wall Street Journal*, "How much of that \$55 billion should I get?"

To buy into this, one has to agree that Golub's made a truly outsized contribution his company's rise in market cap, rather than something like, say, a terrific bull market or the hard work and talent of thousands of employees. But many CEOs want it both ways, negotiating killer packages that pay off even when performance lags or thousands are laid off. Perhaps we're supposed to console ourselves with the thought of how much worse things might have been if someone else other than the former **Pfizer** CEO Hank McKinnell (\$83 million in pension benefits) had presided over Pfizer's 37 percent drop in stock price that coincided with his five-year tenure.

Viewed through the lens of corporate gov

ernance activists, if the board doesn't have the stuff to link pay to performance, then the power balance is out of whack. But for social investors, and much of the public, something bigger is going on. The obscene amounts of wealth that executives make compared to the rest of us tears away at our tattered social fabric and undermines our democracy. The richest 1 percent of Americans held 32 percent of the nation's wealth in 2001 (not even counting the Forbes 400 billionaires, who control roughly another 2 percent of the nation's wealth).

So we have to simply become cleverer about shaming the shameless. In a round-about way, that is the hope embedded in a shareholder resolution at **Citigroup** filed by the American Federation of State, County and Municipal Employees and co-sponsored by Trillium. It calls for an annual shareholder vote to ratify the compensation of named executive officers, and reduction of ambiguity around the size of the package. The vote would be advisory only, but the thinking is that Citigroup (and 60+ other companies that will receive this resolution this year) will have at least the PR sense not to propose compensation packages so fat that they'll get rejected by shareholders. Last year, the resolutions received support in the range of 35 to 45 percent at seven companies. Advisory votes are already standard practice in the U.K., Australia, the Netherlands and Sweden. They might just provide the forum needed to embed some reason and economic justice into a compensation system gone crazy.

Sources:

"Behind Executive Pay, Decades of Failed Restraints," *Wall Street Journal*, October 12, 2006; "Study Finds Wealth Inequality Is Widening Worldwide," *New York Times*, December 6, 2006; *Executive Compensation vs. Workers: An Overview of Wages, Pensions and Health Benefits of Rank-and-File Workers and Sky High Executive Pay*, Prepared by Democratic Staff of the Financial Services Committee, October 24, 2006. ♪

Shareholder Activism

Shelley Alpern



An annual shareholder vote approving executive pay packages would be required by Rep. Barney Frank's Protection Against Executive Compensation Abuse Act (H.R. 4291). (<http://www.house.gov/frank/ifscecomp.html>)

Footnote

¹ According to one study, the median CEO compensation in 2004 was \$14 million. The current ratio between CEO and average worker is 431:1.

Strategic View: In the Long Run, Macroeconomics is Dead¹

By Adam Seitchik, CFA

Seventy years ago John Maynard Keynes invented modern macroeconomics in response to the crisis of the Great Depression and the mass unemployment that it engendered. His solution was to create high levels of economic activity – not necessarily for the goods this produced, but for the jobs. To this day, economy-wide (GDP) growth remains the central yardstick by which we gauge economic performance. Traditionalists worried that Keynes's spending focus would risk long-term government indebtedness. His famous defense: "in the long run, we're all dead."

Today we face a new crisis which is absent from the national growth and employment accounts: global warming. Keynes should have quipped that in the long run the environment may be dead, because our very successful economy will have killed it. According to the best science we have, carbon levels in the atmosphere must be capped at no more than double the pre-industrial level if we are to avoid what could be irreversible, catastrophic climate change (atmospheric carbon concentrations are 35 percent above pre-industrial levels now, and rising sharply). Yet the CO₂ emissions most responsible for global warming are generated by the very production that is the lifeblood of the economic system: liquid fuels for transportation, and providing energy for residential and commercial use.

To confront head-on today's crisis will require a new macroeconomics, and modernized metrics to go along with it. Hard environmental limits on greenhouse gas emissions condition our economic options, and cannot be traded off against fossil-fueled growth. However, the political challenge is profound. Even to hold atmospheric carbon concentrations to no more than double pre-industrial levels

will require a 70 percent reduction in greenhouse gas emissions, while the difficult-to-negotiate Kyoto treaty only called for reductions of about 5 percent from 1990 levels, and only in developed countries.

Economic textbooks ask: how clean an environment can we afford? New economic models must determine what kinds of growth and investment are *unacceptable* or *required* within a carbon-constrained world. Once the biosphere is understood as necessary for production and not a luxury good, the benefits of decisive action are obvious. The recent voluminous report on the economics of climate change commissioned by the UK government puts our options in stark terms. Beyond the devastating biodiversity loss, doing nothing is estimated to cause economic disruption equal to 5-20 percent of GDP per year. Alternatively, the report predicts that investments to reduce greenhouse gas emissions and avoid the worst impacts of climate change would cost only a tiny fraction as much - about 1 percent of GDP per year. What are we waiting for?

As owners of companies, investors need to make clear that corporate efforts to dramatically reduce carbon emissions are in our long-term financial interest. The Investor Network on Climate Risk is making this case, and the millions of smaller investors at mutual fund companies should join the chorus. Today's challenges require a new bio-economics for the long run, an economic model that respects our planet's non-negotiable constraints. ♻️

¹ Thanks to the Global Development and Environment Institute at Tufts University for their groundbreaking work on sustainable economics, including an innovative on-line introductory text, *Macroeconomics in Context*, <http://www.ase.tufts.edu/gdae/publications/textbooks/macroeconomics.html>.

Dear Reader (continued)

socially responsible investing will be arguing with Dr. Friedman for years to come. The intellectual challenge is good for us. Our key arguments, I believe, can be summarized in three paragraphs:

- The concept of time. Dr. Friedman, in charging the management of corporations to maximize profits at all times, did not address the survivability of the company over time when the very act of maximizing profits destroys natural resources or alienates customers and potential workers. He failed to understand that *not* to consider the community and natural resources can be in fact self-destructive.
- The fact that power corrupts. Dr. Friedman railed against "collectivism" or "socialism" or government interference, but history indicates that with no checks and balances, corporations attempt to become all-powerful and dominate society
- The growing disproportionate resources of global corporations. The world's top six oil companies generated a total of

\$128 billion in profits in 2005, sufficient to cover the UN's cost for 8½ years. These kinds of excess profits are not part of the idealized competitive markets celebrated in economics textbooks.

I imagine Dr. Friedman would not object to that profit, but I wonder what he would say about the lack of vision on the part of these companies around their use of raw materials and their long-term viability.

Sincerely,



Joan L. Bavaria, President
Trillium Asset Management Corporation