

January 2006

Dear Client,

Attached are your First Affirmative generated account reports for 4<sup>th</sup> quarter 2006.

The Winter 2007 FAFN Affirmative Thinking newsletter, also attached, offers you new stories about the October SRI in the Rockies conference in which I participated, a side-bar about the latest Moskowitz Prize winning paper, the recent award of a Nobel Peace Prize to microcredit lending founder Muhammad Yunus, and more.

In the midnight hours of outgoing Republican Congress on December 20<sup>th</sup>, the pResident signed H.R. 6111 (TRHCA 2006) but they failed to muster a 2007 Federal budget. Although the primary focus of H.R. 6111, in its 300+ page glory, was to renew and extend tax loopholes that were expiring imminently (or had already expired), in usual fashion Congress managed to add on several provisions with broad impact, and some things that make you go “huh?”. In any event, many of you might be well served to look into some of the headline provisions including extension of the state sales tax deduction for Washington State residents, updates to Health Savings Accounts, and Alternative Minimum Tax carryforward rules. Individuals should contact their tax advisor for a review to see if any related planning is in order. Feel free to put your tax advisor in touch with me for relevant dialogue on your behalf.

Some details of the new tax law were *not* included in Bush’s spin, um, I mean announcement or in mainstream media coverage. For example, H.R. 6111 also quietly includes authority for undercover operations; import duty suspensions or reductions on over 300 items from carcinogens formaldehyde polymer and toluene to insecticides to artificial flowers; and of course, provisions for the oil, gas, and mining industries. Surprise!

As I write this in early January, the Democratic-majority 110<sup>th</sup> US Congress is facing the challenge of repairing and recovering from the damage left behind by the prior congress and current White House. The new congress is beginning by boldly returning lawmaking to the interests of citizens and putting a damper on corporate special-interest lawmaking. Hopefully they can also work on a path to peace, human dignity, and social justice.

With new congressional leadership including House Speaker Nancy Pelosi (D-CA) and Senate Majority Leader Harry Reid (D-NV), there is renewed optimism and hope for a wiser government and a more peaceful world around us. Although, many of us campaigned relentlessly and gave until it hurt for the wins in the 2006 General Election, it is our duty to continue these efforts into the 2008 elections. Vigilance is the price we pay for democracy and freedom. Now is the time to renew (or begin) your involvement in your local congressional district or county political party organization, or at least to contribute campaign money liberally. People working at socially responsible companies can innovate and solve many of our problems, but without the oversight of a visionary government, there are no limits to how some greedy and shortsighted people would continue spoiling our ecosystems and communities at tremendous cost to future generations.

In conversation with many of you and on my web site, I have disclosed my minority ownership in First Affirmative Financial Network, LLC and I want to review that with you today. FAFN employees (of which I am not one of course) own about 58%. That is similar to my other major affiliation, KMS Financial Services, Inc, owned entirely by current and former employees (again, I'm not an employee but an independent contractor). I currently own less than half of one-percent of FAFN. Last year this represented a share of the profits roughly equal the cost of a tall chai at Mr. Spots' Chai House per \$1,000,000 in client assets managed. So if you would like me to treat you to a chai, just let me know. But of more significance, because of this ownership status *and* being among the top consultants nationally using FAFN's services, I am privileged to sit on the FAFN Advisory Board. In this voluntary capacity, I represent the larger group of FAFN affiliated consultants and our clients (FAFN also manages *my* money). My Advisory Board participation is carried out in the spirit of helping improve services to *everyone's* benefit.

If you have questions, comments, or changes to report that might affect how your finances are managed, or anything else, please give me a call. Otherwise, I look forward to talking with you at your next scheduled financial review.

Best regards,

A handwritten signature in black ink that reads "Eric A. Smith". The signature is written in a cursive, slightly slanted style. The first name "Eric" is written with a large, stylized "E" that loops around the "r". The last name "Smith" is written in a more standard cursive script.