

January 2007

Dear Client,

Attached are your year-end quarterly account reports and the latest sustainable investor newsletter from First Affirmative.

**IMPORTANT YEAR-END NOTE:** After you have reviewed attached reports, please put them in your 2007 tax-prep file along with your 1099 reports (taxable accounts only) which will be coming from the account custodians late January. Also, watch for corrected 1099s by late February. As for FAFN managed accounts at Schwab Institutional, you will be getting realized gains/losses reports from First Affirmative. For accounts at FOLIOfn, you must log in there to download your 1099 report (Select *Tax Information, Previous Year, gain/loss totals*. For all details, select *closed tax lots*.)

As we take a moment to look back over the past year, we recall well-known investor Warren Buffett, "Once in a while the tide goes out, and we see who's been swimming without a suit." This time the skinny-dippers include some of the world's preeminent financial institutions, now thrashing about in a murky swamp of mortgage-backed securities. As the ripples from their writedowns spread across financial markets, clients look to our professional perspective and navigational skills in even greater measure.

On a related note, in recent years our social investment activist campaigns have targeted those financial institutions that allow reckless predatory lending and institutionalized racism in the sub-prime markets. Perhaps if we gain broader media and political support in these efforts, at least some of the resulting social and economic costs can be averted.

In 2007 we experienced domestic and global disappointments as well as hopeful progress on several fronts. A 2007 highlight, at least for me, was seeing all the new enthusiastic participants at the annual Social Investment Forum conference in November. One conference session that might interest you was the presentation by the author of the winning entry of the 2007 Moskowitz Prize for Socially Responsible Investing. [Does The Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices, Alex Edmans, Wharton School, University of Pennsylvania.](#) (More info in this quarter's FAFN Affirmative Thinking newsletter.) This research found that companies on Fortune Magazine's "Best Places to Work for in America" had higher average stock performance. The new evidence illustrates our SRI strategies enhancing relative investment success while supporting our human dignity and sustainability values.

My web site links to additional fascinating studies. New research shows how the use of social and environmental investment standards and strategies may help to identify companies that are led by more enlightened management teams who can better be able to meet the needs of not only shareholders but all citizens and the planet.

As we look forward in anticipation of what the coming year brings, I wish for you, your family, and your community a time of peaceful togetherness, good health, and accomplishment. I hope for fair elections bringing us smart leadership representing the majority of American citizens that share our progressive ideals of social justice, fairness, and sustainability. And I envision the continuing growth and success for the global sustainable and responsible investing movement—of which you are an important part!

Please contact me if you have questions, comments, or changes to report that might affect how your finances are managed or anything else. Otherwise I look forward to talking with you during your next periodic financial review and renewal session.

Best regards,

A handwritten signature in blue ink that reads "Eric A. Smith". The signature is written in a cursive style with a large, stylized "E" and "S".