

July 2009

Dear [Client],

You recently received your second quarter First Affirmative generated reports and newsletter. As you can see, the quarter ending June 30 brought some excellent investment results, although the S&P 500 Index was still down 40% from its October 2007 high. Let's take a look at the Domini 400 Social Index (often used as a benchmark for SRI stock portfolios), the S&P 500, and a taxable bond index:

	<u>Last Qtr</u>	<u>YTD</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>	<u>Inception</u>
KLD Domini 400	16.6%	5.5%	-21.2%	-7.0%	-2.6%	-2.4%	8.5%
S&P 500	15.9%	3.3%	-26.2%	-8.2%	-2.2%	-2.2%	7.7%
Barclays Cap Agg Bond	1.8%	1.9%	6.1%	6.4%	5.0%	5.8%	n/a

Total annualized returns through June 30, 2009. Domini 400 inception May 1990. Source: www.kld.com

Ten years ago, the dot-com investment bubble drove stock prices too high. We can see this played out in the current ten year numbers, roughly peak to bottom. Of course your account performance is reflected on your personalized quarterly report provided by First Affirmative.

SRI BaseCamp Seattle 2009

For the second consecutive year, our office served as the agenda executive for a continuing education conference for investment professionals here in western Washington. We pulled together a day full of interesting, timely, and SRI-relevant sessions and speakers including ShoreBank Pacific CEO, David Williams who spoke about the latest thinking on blended mission business; Microsoft Director of Sustainability, Steve Lippman on initiatives a large company such as Microsoft can undertake; and Calvert Group Director of Shareholder Advocacy, Stu Dalheim on recent success they are having with pushing for change at companies they invest in and with government regulators. There were 47 participants at the July 9 event. This is one way we are helping build the sustainable and responsible investment movement and community.

Tour of local community and economic development organization

Last month we helped organize a tour for our clients. We toured Community Capital Development's Minority Business Enterprise Center and Women's Business Center. We learned how CCD is successfully helping targeted families and communities in our region by providing needed technical assistance and loans to small businesses. Representatives from Bedrock Industries and Hilltop Quickie Catering were there to share their stories about how CCD helped them grow and provide jobs. CCD is one of the investments inside Calvert Foundation Community Investment Notes.

Shareholder resolution proxy season results

First Affirmative and our portfolio managers filed or co-filed nearly 100 shareholder resolutions on environmental, social, and governance issues in 2009. We've made headway and there are already a number of success stories. One example is a human rights resolution First Affirmative co-filed on behalf of our clients at Canadian oil and gas pipeline company, Enbridge. Proposal: Requested disclosure of and approach to material risks related to free prior and in-

formed consent of first nations for the company's proposed \$4.5 billion Northern Gateway Project. Outcome: This first-time filing received 32% support, and as a result Enbridge has agreed to more formalized talks with First Nations groups.

Despite the US Chamber of Commerce lobbying against, more companies are now lobbying our government *for* world-class climate change legislation. Because of shareholder and other stakeholder pressure, and because these companies see how it would help plan for inevitable long term implications, Gap, Starbucks, Nike, and other companies of all sizes want climate change legislation so they can be more competitive in global markets.

Obama Administration and regulatory progress initiatives

More than 50 investment firms including First Affirmative are in communication with the Securities and Exchange Commission asking them to require company reporting on climate change and other social and environmental risks that are relevant to shareholders.

Additionally, in June the SEC updated the rule regarding “non-votes” by shareholders on shareholder resolutions. Before, items a shareholder failed to vote on would be voted according to company management’s whim. This would be akin to an incumbent elected official having the power to vote her opinion on every ballot initiative that you decided not to vote on. I’ve always thought this old rule was rather undemocratic, to say the least. In contrast, with the updated rule, when shareholders do not vote their shares they will now be counted as “abstain.”

There is plenty more to do in reforming the financial and investment markets. Much of it is similar to the above stories and does not receive commercial news coverage because of its complexity.

Your accounts and services

As you review your account reports and consider your financial plans, please contact us with any questions or concerns. We stand by ready to discuss your situation and your ideas. If appropriate we’ll make adjustments to your accounts or services. It is our pleasure to serve you and we look forward to hearing from you.

Best Regards,

A handwritten signature in blue ink that reads "Eric A. Smith". The signature is written in a cursive, flowing style.

Information is based on past performance and is not indicative of future results. Indices are unmanaged and do not reflect management or advisory expenses. Of course, any investment decision should be made after careful review of your individual financial situation, risk tolerance, investment objectives, and time horizon.