



THE CLEAN YIELD

W I N T E R 2 0 0 9 • V O L U M E 2 5 • N U M B E R 4

Uncommonly Good Banking

Two years ago, a client suggested we look into the Common Good Banks, a proposed network of innovative institutions to be headquartered in Massachusetts' Pioneer Valley. We looked and were intrigued, but the bank didn't exist then. It still doesn't, but now it's much closer to reality, and we thought readers might be interested in the concept as it emerges.

The core idea is simple: the bank becomes the epicenter of a do-it-yourself, democratic, community-based economy. Give a community of depositors the ability to guide its investment priorities, its use of investment profits, and its "creation" of money, and it can change who is in control. By offering everyone an equal say in what gets funded in the community, everyone gets an equal say in the community's destiny.

On its face, CGB will be similar to many community banks and credit unions. As proposed, the Massachusetts-chartered bank would accept FDIC-insured deposits, make mortgages and other loans, and have regular checking, CDs, and ATM services—all the usual accoutrements, plus a local-use credit card that will not cost merchants the usual 2% fee. But what's really different? For starters, all net profits—beyond the roughly 6% return that is retained by the bank to compensate for "true" inflation—go to a community fund. The fund is then distributed to local and other nonprofits by vote of the investors and depositors; one person, one vote, regardless of account size.

A still more potent difference is the ability of the group of depositors to set priori-

ties for loans. Food coops? A medical clinic? That town office building? Conserved land? Since capital flow largely determines community development patterns, when the local CGB membership sets loan priorities, it becomes a force in guiding that development.

Then there's "creating" money, no printing press needed. Like most U.S. lending institutions, CG banks can, under law, lend up to ten times the money they originally receive from depositors and investors. Within that generous limit, all the money loaned is simply a figment of bookkeeping entries. This money-out-of-thin-air leverage is nothing new for banks—it's how even the Federal Reserve creates money—but the community's control of it is.

A Capital Idea

Common good banks are the brainchild of many, but most notably William Spademan, of late a community organizer and money theorist who has been working on the concept since 2002. He would urge CGB branches to go one step further: create a locally based currency on a par with the dollar. The theory, structure, and mechanics for CGB branches are outlined in a business plan that can be found on the bank's Web site: www.commongoodbank.com. The big upside of local currencies is that by injecting additional money into an economy—not cash, in this case, but electronic I.O.U.s—a community can knock down unemployment, stimulate socially responsible enterprises, and generate a good deal of healthy community interaction, so-called "social capital."

Once the first CGB is chartered and has a physical presence, it can be replicated in any community in the U.S. and beyond.



Common Good Finance President William Spademan is leading an effort to establish the first-ever common good bank. After seven years, the bank is close to taking flight. Photo by Emi Link

Each bank branch can be established with minimal capital investment—not even requiring a bricks-and-mortar presence—merely by rounding up 50 or so depositors. The branches form under the original bank charter and use centralized bank accounting and common backing for lending, but otherwise each branch is independent, and the profits stay to benefit its community.

Once the first bank opens, stock will be offered at about \$1.00 per share. Soon thereafter, shareholders can freely buy and sell their stock through a bank-operated trading desk. That 6% annually retained by the bank to cover inflation? It has the effect of boosting the book value of the bank. This enables investors to get comparable gains when they sell their stock, even though they never see dividends.

Today, the Common Good Bank has an advisory board of some 50 members including several names prominent in the SRI community. Add to that over 20 community-division organizers sprinkled

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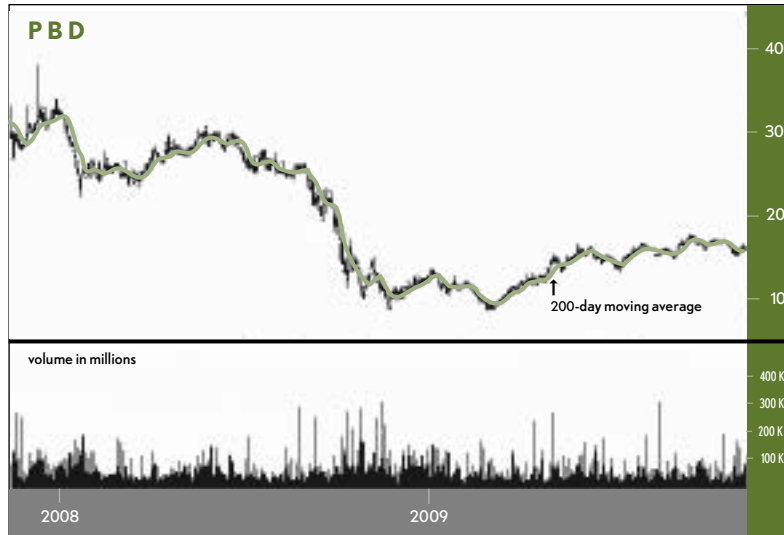
Renewables Renewed

The company and the ETF that we feature in the accompanying profiles are part of our bet on the future of renewable energy and clean technology. In future profiles we will feature both well-established companies that are participating in this industry, as well as the scores of pure plays that are moving from the cash-burning, development stage to standalone profitable companies.

The past year has been very dicey for renewable energy stocks. Their promise—and the hype that always accompanies new technologies—during the mid years of this decade sent domestic and foreign solar, wind, and smart-grid stocks into the stratosphere, only to have them sink harshly to earth when the financial crisis plunged the country into investment darkness.

The re-emergence of this sector, now that the financial environment is less intimidating and a bit more stable, is very promising. Two factors are giving the industries an additional push. For the first time ever, venture capitalists are putting more money into clean and renewable energy technology than any other speculative sector (George Soros recently announced that he was putting \$1 billion into cleantech opportunities), and Obama's stimulus program is adding billions to clean and renewable energy projects.

According to *Progressive Investor*, two thirds of the venture capital put into the cleantech sector this year was in the U.S. This is very welcome news for two reasons. One, it supports the growing thesis that the most promising sector for new jobs in America is in the alternative energy area, and two, the U.S., which has notably lagged renewable energy progress in Europe and Asia, is finally getting some very welcome sunlight shed on homegrown renewable energy developments. The timing certainly couldn't be better, as it is coming just before the start of the UN's Climate Change Conference in Copenhagen. ■



GLOBAL CLEAN ENERGY PORTFOLIO (PBD)

Revenues: N/A

EPS: 2010E N/A
2009E N/A
2008A N/A

Web site: www.invescopowershares.com

Projected Annual Growth Rate: 20%

Dividend: 0.19%

52-Week High-Low: \$17.57 – \$8.52

Risk: High

Power's Pure Pack

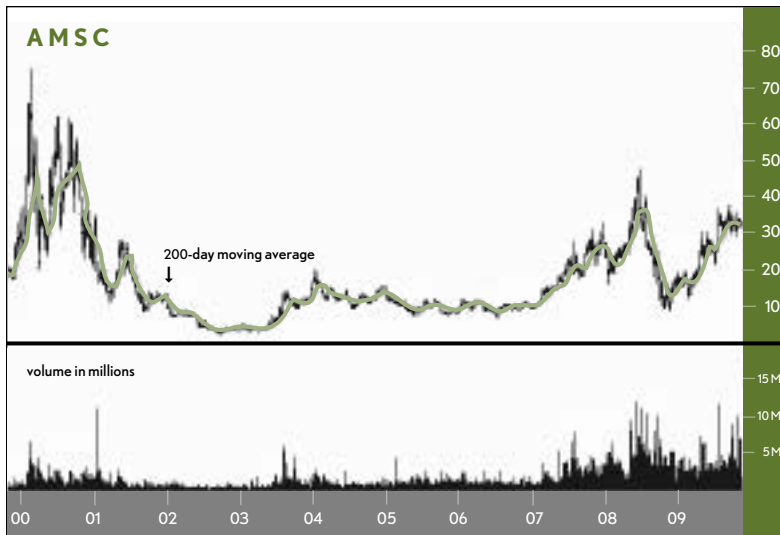
With the UN Climate Change conference in Copenhagen around the corner, the climate bill in committee, and energy conservation on everyone's minds, there is no doubt that alternative energy continues to be an important investment space. However, as with investing in technology companies in the late 1990s, it is difficult to foresee which companies will be the winners. One way to tackle that problem is to invest in a basket of alternative energy companies through an exchange traded fund (ETF). These ETFs are comprised of a variety of companies involved in clean energy, but they are passively managed based on an index and have lower expenses than similar mutual funds.

The Powershares Global Clean Energy Portfolio (PBD) invests in companies from the WilderHill New Energy Global Innovation Index. This index follows companies around the world that are involved in all types of renewable energy sources, energy efficiency, pollution control, and battery technology. Although the U.S. is improving research and production in alternative energy, it still lags in a number of areas, with much of the promising technology being developed in Asia and Europe. With PBD, investors can capture that wider global market while mitigating some risk and without having to use a foreign stock exchange. Holdings in PBD range from small

Chinese solar companies to a carbon credit exchange in London to more familiar names, including Baldor Electric and American Superconductor, profiled on the next page. PBD was put together in 2007, just as an alternative energy bubble was forming. The fund made a sharp fall last autumn, and although it has recovered well, it remains at 50% of its previous highs. Another alternative energy ETF that we use, WilderHill Clean Energy (PBW), fell farther and has not recovered as much, because it focuses on domestic stocks. Both ETFs look like good investments at this point, but PBD is particularly noteworthy for its exposure to the world of renewable and clean energy opportunities.

Corporate Responsibility

In the debate over whether nuclear should be considered a climate-change solution, we continue to feel that due to its huge human and environmental toll, nuclear is not part of the energy future we want to see. As alternative energy ETFs flooded the marketplace over the past five years, PBW's nuclear energy stock screen made it stand out. PBD, however, does not have an explicit screen for nuclear stocks, though it currently does not own any stocks involved in the nuclear industry. To keep true to our values, we will be monitoring its stock holdings and urging that the fund manager adopt a nuclear screen. ■



AMERICAN SUPERCONDUCTOR (AMSC)

Revenues: \$183 Million

EPS: 2010E \$ 0.65
2009E \$ 0.15
2008A \$ -0.40

Web site: www.amsc.com

Positive Spin

More than 20 years ago, AMSC began manufacturing highly efficient superconducting wire. Its innovative technology allowed utilities to transmit electricity through lines and wires while dramatically reducing the electric leakage that accompanies all transmission. Unfortunately, this business was expensive and gained only limited popularity. The company limped along, generating negative earnings for many years. In 2007, however, AMSC blew investors away by acquiring the wind systems engineering firm Windtec. Today, 97% of AMSC's revenues come from manufacturing the inner mechanics of wind turbines. The company turned a profit for the first time this year and is sailing brightly into the alternative energy future.

Wind power, though controversial in some geographic areas, is gusting ahead. Additionally, falling costs are making it a viable alternative to other sources of power, particularly in Europe and Asia. The Chinese government mandated at least 100 gigawatts of wind power by 2020, up from the current 12 gigawatts. American Superconductor successfully found its way into that market and now has a \$470-million contract to provide Sinovel Wind with turbine guts over the next two years. In addition to being AMSC's largest customer, Sinovel is the largest wind turbine manufacturer in China, making it likely that this will

Projected Annual Growth Rate: 20%

Dividend: 0%

52-Week High-Low: \$37.58 – \$8.22

Risk: High

continue to be a profitable relationship for years to come. Although AMSC had its first profitable quarter ever in 2009, it expects earnings to increase by more than 20% annually during the next three years. It has been a wild ride for AMSC's stock price during the last 15 years, and it was no surprise when it crashed with the rest of the market last year. The stock has since tripled in price. While currently not a bargain, AMSC has enormous future potential.

Corporate Responsibility

Let us be clear: we do not support wind projects at all locations. Public input and thoughtful placement are critical considerations prior to such developments. AMSC is one of the few ways to invest domestically in wind energy. As we have written before, many stand-alone alternative energy stocks are very speculative investments at this point. As a supplier of turbines' mechanical innards, AMSC can call many other wind companies its customers. The company does have some exposure to the military, but not with weapons; it has a small contract with the U.S. Navy for superconducting wire. The company is actively working toward reducing its own greenhouse gas emissions in production. One woman is on the executive management committee, but no women serve on the six-member board. ■

✳ To gain a spot on *Working Mother* magazine's "100 Best Companies" list means a company supports a notably family-friendly culture and is likely to offer such benefits as telecommuting, flextime schedules, job-sharing, compressed work-weeks, backup child care, and sick-child care. Only a handful of companies have made the list for each of the past 15 years, but among them are four companies in CY's universe: **Johnson & Johnson, Lincoln National, Merck & Co., and Procter & Gamble.**

✳ The foundation arm of **Life Technologies Corp** recently awarded \$1.7 million to six organizations for public education about scientific advances. One grant is to the Miami Institute for Human Genomics to support research and education for black and Hispanic families concerning autism and Alzheimer's disease.

✳ At age 17 and with some 225 members, Investor's Circle is the unchallenged establishment among angel-investor organizations. The San Francisco-based group just announced a new award, the "IC20," which it hopes will become the benchmark for success in new enterprise. Each year's cohort of 20 winners will be chosen as "shining examples of the potential of social enterprise, proving that a focus on sustainability and social impact need not compromise profitability." This year's #1 is Cardinal Resources, a Penn.-based engineering services firm that creates solar water purification systems for low-tech environments.

✳ **Timberland**, the footwear company, is teaming up with Grammy-winning performer and social activist Wyclef Jean to support the company's hallmark tree-planting and community-building activities. Last month saw a "Dig It" tree-planting event in a Bronx park with Wyclef Jean and other musicians, as well as ecology activists and community members. Significant proceeds from the ongoing partnership are being directed to Yele Haiti, an organization that the artist founded to advance education, arts, environment, and sports in his native country.

Cantabrigian Connection



You won't find any "Bigger is Better" posters tacked to our wall—"small is beautiful" is closer to our style—but we couldn't be more pleased with a new

addition to our investment team, Eric Becker, and a new Clean Yield office location in Cambridge, Mass. The object of both is to ensure we stay in close touch with our clients as the company grows.

A seasoned money manager, Eric spent sixteen years with a Boston social investment firm, and he knows his lines from top to triple bottom. He's currently splitting his time between our Greensboro, Vt., headquarters and our new digs at 86 Sherman Street in Cambridge. By way of introduction, we asked Eric for a brief interview.

First and most obvious, what brings you our way?

I'm thrilled to be at Clean Yield. It's an honor and a challenge to step into a firm that has 25 years of success behind it and look for ways to improve on that while staying true to its philosophy. With its strong investment track record and deep commitment to social justice and the environment, Clean Yield is in a great position to grow and maximize its impact for many years to come. I'm excited to have a chance to be a part of that.

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Coming to Clean Yield was a no-brainer, due to the alignment I saw between my personal mission and that of the company. I am passionate about using the power of capital to address the pressing issues we face as a society. In particular, I'm focused on global warming and sustainable agriculture and the links between the two. It was through my work on finding ways to invest in sustainable agriculture that I first got to know Rian. And it was clear from the get-go that we shared a lot of deeply held values. When I saw the opportunity to work together, I jumped at it without hesitation.

Tell us about the investment background you bring to the table.

I've spent the last sixteen years at Trillium Asset Management, which also does exclusively social investing. My roles included refining the investment process, managing client portfolios, researching stocks, and evaluating private equity deals. I earned my CFA (Chartered Financial Analyst) designation in 1996.

I've always focused on green companies, particularly those involved in clean energy and energy efficiency. I was the lead manager of the \$50-million Green Century Balanced Fund and spearheaded the development of a stock strategy focused on companies that offer solutions toward sustainability. That's something that I plan to develop here at Clean Yield as well. In addition, over the past five years, I have spent an increasing amount of time working to channel capital toward sustainable agriculture.

Why sustainable agriculture?

We can't have a sustainable culture unless we can feed ourselves healthful food while maintaining soil fertility. The way we have been practicing agriculture since the introduction of chemical fertilizers and pesticides after World War II is a form of mining that has depleted the soil, fouled the water, and contributed significantly to global warming. We've got to reverse that, and quickly! The good news is that people are waking up to this reality and are

embracing the flip side of it—the joys of eating good, fresh, local food that is produced ecologically by people they know. That's a start, but it's still a financial struggle for most sustainable farm-related enterprises. We need to make capital readily available to farmers and farm-related businesses, so they can offer a real alternative to agribusiness.

What can you share about your life outside work?

My wife, Vanessa Rule, chairs Somerville Climate Action, which is a very active grassroots group, and she is also helping lead Transition Somerville. So we grapple with many of the same issues from different angles. Vanessa grew up in France, so she brings a different perspective for that reason as well. We're quite involved in our community, thanks largely to Vanessa's work, but I'm also engaged, including serving as a commissioner on the Somerville Commission on Energy Use and Climate Change. We have a ten-year-old daughter, Isabelle, and a seven-year-old son, Cedric, who both enjoy getting their hands dirty in the garden and in the kitchen. ■

Good Banking continued from page 1

from Oregon and Texas to Vermont, a dozen partner organizations, several legal consultants, and two core staff—one being William Spademan. Most of these are volunteers. A well-qualified CEO-designate and an experienced chief loan officer are bidding their time at other jobs until the bank is ready to open its doors.

Comparing Bank of America to Common Good Bank probably isn't fair. B of A is too big to fail; CGB lacks a few hundred thousand dollars of investment capital even to gain its initial charter. But if measured by social returns and interest (in the non-monetary sense), the Common Good Bank also seems too big not to succeed. ■

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