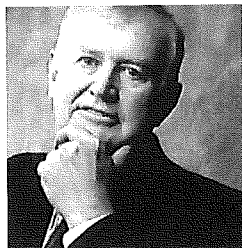


Making a Socially Responsible Investment in the Future

BY CHESTER L.F. PAULSON

Socially responsible investing, or SRI, is not a new concept, but in recent years it has increasingly captured the imaginations of investors seeking to support social and environmental change.



SRI has the same underlying goals as traditional investing, but the path to profitability is tied to ethical considerations including respect for employees, communities and the environment. As investors have become more aware of the impact of corporations on the global neighborhood, savvy companies have recognized that social and environmental stewardship is a smart business decision that can promote both financial and social benefits.

A RESPONSIBILITY-DRIVEN MARKET

SRI has experienced tremendous growth in recent years. According to a 2005 study by the Social Investment Forum, a national association dedicated to promoting socially responsible investing, assets from SRI grew more than 250 percent in 10 years. Total SRI assets went from \$639 billion in 1995 to \$2.29 trillion in 2005. In 1984, in the Forum's first industry-wide assessment, total assets invested under socially responsible directives netted only \$40 billion.

More than a passing trend, SRI is an indication of a transition to a responsibility-driven market. Investors understand that social and environmental issues cannot be isolated from corporate growth and profitability. They are, instead, critical factors for the long-term sustainability of the global economy.

In the environmental arena, the growing acceptance of climate change as a genuine concern is helping to unlock latent interest across the Wall Street community in clean energy technologies and environmentally friendly business practices. The recent 2007 Clean Energy Trends Report released by Clean Edge, a research and publishing firm focused on promoting profit from clean technologies, found that combined revenues for companies within the biofuel, wind power, solar and fuel cell markets climbed to \$55 billion in 2006, up from \$40 billion in 2005. Further forecasts place these four markets on a trajectory to reach a collective \$226 billion by 2016.

OPPORTUNITY, RISK IN TODAY'S GREEN BUSINESSES

This is an age of innovation. Many investors would like to increase the number of socially responsible companies brought to market, not just for investment opportunities but as a way to get emerging technology and innovative business models more recognition. Advocating 'green' companies, those engaged in developing solutions to address critical environmental issues, can help improve the way we live. While 'being green' currently may be in political favor or widely considered a

sexy, high-growth niche, the long-term benefits of such companies are undeniable.

History has taught us that small, emerging companies given the right opportunities and the proper support may pioneer the advancements necessary to drive real and positive cultural change in this country. However, these small businesses often must overcome limited recognition or the challenge of supplanting established technology.

As a result, these companies carry inherent risks. They may take considerably longer to mature and realize their full market potential due to product development challenges, a need to educate the marketplace on the benefits of their product, and the challenge of convincing investors of the benefits and long-term value propositions they represent.

Because bringing companies to market involves significant risk, thorough research is required to ensure investments meet specific criteria. First, a management team that demonstrates a commitment to increasing the wealth of its stakeholders should be more likely to lead the organization to profitability. Second, a company should exhibit the ability to raise capital. Lastly, the product or service should be competitive in the marketplace. If these three areas of concerns can be addressed adequately, the risks may be worthwhile.

CONNECTING COMPANIES AND INVESTORS

When early-stage, small or regional socially responsible companies seek funding, they must find an investment firm willing to assume the unique risks associated with SRI and whose clientele values such investment options. The key is to find investors who are committed to the missions of socially responsible companies.

Like all investors, investment banks must be perceptive enough to recognize winning opportunities. As the facilitator between the company and the investor, the investment bank typically makes an investment decision long before there is significant data available on a company's products. The expertise of an investment bank helps dictate which business models typically succeed and extensive research qualifies and supports investment decisions, mitigating unnecessary risk.

CALLING FOR CHANGE

Investment firms have a mandate to increase the wealth of their investors and clients. It is possible to serve society and the environment within this mandate.

On March 19 of this year, for example, more than 50 major U.S. investors representing \$4 trillion under management called on Congress to take action to limit greenhouse gas emissions and revisit the nation's energy policies. Business groups have approached Washington with similar calls for changes and have included companies such as Alcoa, Caterpillar Inc., Duke Energy, DuPont, Johnson & Johnson, General Electric, PG&E Corporation, PepsiCo and Shell, among others.

Today, investors have an opportunity to create change by devoting their dollars to businesses with social and environmental goals. Identifying, nurturing and supporting those companies through SRI can provide enrichment that goes beyond a portfolio's monetary value.

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