NATURAL INVESTMENT *news*

FALL 2007 ISSUE #54 HAL BRILL CHRISTOPHER PECK MICHAEL KRAMER JACK BRILL SCOTT SECREST

Hal Brill's VIEW FROM PAONIA

Last night I went to a meeting of our local electric utility, a rural electric co-op. I've been proud of our co-op as they have been long time promoters of conservation and renewable energy. Like other utilities today they are in a predicament: their cost of electricity is going up and they must pass that cost to us, their members. This kicks off a public process that caused me to look at their overall rate structure. Due to their progressive talk, I had assumed that their rate structure would reward folks who are miserly and penalize electricity hogs. To my surprise, I discovered that the price we pay per kilowatt-hour is actually higher for the misers and goes down for the hogs. What's up with that? Why does a forward-thinking utility have a backwards-looking rate plan?

It turns out that this policy dates back to a time when utilities had excess capacity and needed to sell more power by making it cheaper. Those days are long gone, but we're still saddled with the old rate structure that rewards waste with a discount. I told them that publicizing conservation is nice, but they need to turn their rate plan upside-down so that it reflects their professed values. Utility companies are famous for being stodgy, but I'm hopeful our co-op will start to move in the right direction.

I couldn't help but be reminded of the early days of socially responsible investing. We frequently spoke to folks with deep environmental and social concerns whose investments did not walk their talk. Often we heard that these investments were a holdover from a previous broker or simply inherited from their family, so they had no resemblance to their values. Fortunately, it is a lot simpler for an individual to change their investments than for a utility to change their rate plan. We've had the great honor of assisting people in this transition. It is important to remember that people, companies, and governments vote with their dollars. Let's all keep on the task of aligning fiscal decisions with our desired outcomes.

Michael Kramer's

MAKING A DIFFERENCE

SHAREHOLDER ADVOCACY SEASON REVIEW

The 2007 proxy season featured nearly 1400 proposals. The most popular initiatives were designed to foster greater board accountability, such as those seeking annual investor votes on executive pay and majority voting in director elections. Many proposals were withdrawn after negotiations with companies, reflecting a willingness among management to engage in dialogue with shareholders.

Over 40 proposals that request an annual advisory vote on compensation—commonly known as the "say on pay" provision--received an average of 42%, an increase over last year. Four "say on pay" proposals received majority backing--the most recent winning 57% of votes cast at Ingersoll

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Christopher Peck's

HOLISTIC SOLUTIONS

In this article, written with and inspired by Allan Savory, I look at a possible solution to the global carbon challenge. This is Part II, focused directly on a solution. If you missed the first half, email me and I'll send you the entire article.

HOLISM TO THE RESCUE

Holistic Management is a decision making framework and set of tools that presents a "unified theory" for solving these problems. Developed over the last 30 years in response to real world demands, by farmers, ranchers, business people and non-profits, it has proven its applicability and strength. The Holistic Management framework has many layers and applications; for brevity we will mention only two: one tool and one perspective.

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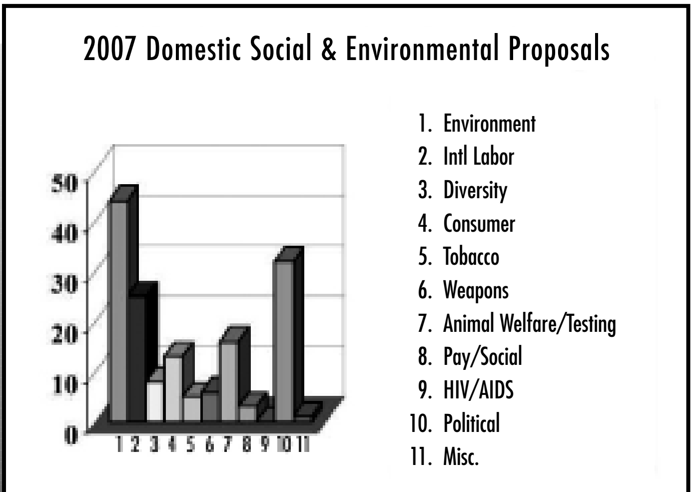
Michael's MAKING A DIFFERENCE *continued from cover*

Rand. At least 10 proposals received greater than 45% support, according to Institutional Shareholder Services data.

Investors also voted on over 60 proposals requesting that firms more closely link executive pay with corporate performance. General pay-for-performance proposals averaged 35% support. In addition, 14 proposals were withdrawn, which suggests that companies have become more willing to engage with stockholders in drawing up performance metrics for calculating executive pay. At least one company, Progressive, has committed to adopting pay-for-performance metrics this season.



Proposals asking for a specific link between equity incentives and shareholder returns--or a performance threshold for option grant vesting--fared about the same as general pay-for-performance measures, averaging 35%. A majority of shareholders at KB Home and Hewlett-Packard backed a performance-based stock proposal this year, with 55% support at KB Home, and 54% at HP, according to regulatory filings.

Meanwhile, "clawback" proposals averaged 35% support, significantly higher than the 2006 season average of 24%. These proposals call for recouping bonus payments to executives if a later investigation or restatement determines that their incentive goals weren't met. Two proposals obtained majority support; the best showing was a 59% vote at Motorola.

Many of this year's pay-related proposals reflect a continued shareholder backlash against what the AFL-CIO has called "pay for failure." Executive retirement and severance payments have come under scrutiny in recent years as corporate exit packages, sometimes totaling in the hundreds of millions of dollars, make headlines nationwide.

Investors also were more receptive to resolutions that ask for a shareholder vote on future "golden parachute" packages for outgoing executives. The proposal averaged 56% support, up from 50% support last year. One golden parachute resolution won 69% at PPG Industries, according to regulatory filings.

In response to the stock options backdating scandal, many firms have adopted new option grant policies. The proposal won 47% at Apple. At CVS/Caremark's first annual meeting as a single corporation, a similar proposal received a 48% vote, a strong showing for a first-year resolution.

Proposals seeking majority threshold voting in director elections continued to do well this year. Support for a majority standard averaged 49%, up from 48% in 2006. This season, there was notably high support at International Paper (85%) and Praxair (76%).

The board election issue that received the most attention this season was proxy access. After investors won a court ruling last September, the Securities and Exchange Commission did not allow companies to omit access proposals this year. A non-binding proposal filed by the California Public Employees' Retirement System received 45% at UnitedHealth Group. Earlier, a binding proxy access proposal filed by AFSCME and three state pension funds won 43% support at Hewlett-Packard.

The results of this year's proxy season may have been overshadowed by the recent SEC notification of proposed rule change, which, if put into effect,

Top 20 Votes from the 2007 Proxy Season

Company Name	Proposal	2007 % Support
HCC Insurance Holdings, Inc.	Implement Equality Principles	52.20
Unisys Corp.	Report on political donations	51.10
Clear Channel Communication	Report on political donations	46.20
Comerica Inc.	Issue Sustainability report	45.0
Hasbro Inc.	Issue Sustainability report	44.80
Commercial Metals Co.	Adopt sexual orientation anti-bias policy	43.0
Safeway Inc.	Issue Sustainability report	40.0
Allegheny Energy, Inc.	Report on greenhouse gas emissions	39.50
The McGraw-Hill Co., Inc.	Report on political donations	37.90
ExxonMobil Corp.	Adopt sexual orientation anti-bias policy	37.70
The Kroger Co.	Report on energy efficiency plans	37.40
Union Pacific Corp.	Report on political donations	37.10
MDU Resources Group, Inc.	Issue Sustainability report	34.70
Dover Corporation	Issue Sustainability report	34.60
Entergy Corp.	Report on political donations	34.20
Wendy's International	Issue Sustainability report	33.10
Boston Properties Inc.	Report on energy efficiency	32.60
Wyeth	Report on political donations	32.30
Lincare Holdings, Inc.	Increase efforts to diversify board	32.0
ExxonMobil Corp.	Set GHG emissions reduction goals	31.10

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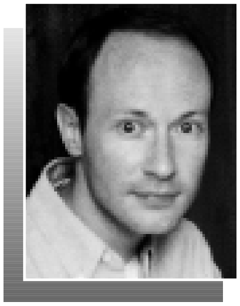

WHAT'S UP ON WALL STREET?

By Scott Secrest AAMS®
NI Director of Investment Research

If you've ever been tossed around in a jeep on a bouncy, high country road, you have an idea of what investors experienced during the third quarter. But, we're always happy when the jeep makes it back to camp – and that's what has happened for investors by the end of the quarter.

Although the stock market ended the quarter with respectable gains, it was rough going along the way including a dramatic drop in August when concerns over the sub-prime mortgage crises drove the major indexes down 9% from their July highs. Oil prices had just hit all time highs, and the value of the US dollar dropped to a new low relative to the euro. Concern of recession was on our minds.

But, thanks to a half point interest rate cut by the Fed on September 18th, the markets were turned in the other direction sending the Dow Jones average to its best September returns since 1997. The S&P 500 Stock Index returned 1.6% during the quarter and the socially responsible Domini 400 Index returned 1.71%. While these are not eye-popping returns, they're solid given the turmoil experienced during the quarter.

Large company stocks outperformed small company stocks during the quarter – not unexpected given that large companies are better suited to weather period of slower economic growth. Large technology companies fared particularly well. Small companies actually lost ground during the third quarter, down 3.4%. The S&P 500 is up 7.6% for 2007 compared with the small company Russell 2000 Index up just 2.3%.

This kind of variation in performance among stock categories is not unusual. Diversifying among stock asset classes is a key part of our investment strategy at Natural Investment Services. Careful monitoring of this relative performance helps us keep our client portfolios well diversified and able to take advantage of strength in the stock markets in whichever sector it may be occurring.

BENCHMARKS: TOTAL RETURNS AS OF 9.30.07

	3rd Quarter	1 Year	3 Year
S&P 500 Index	**2.0%**	**16.4%**	**13.3%**
Domini Social Index	**1.7%**	**13.9%**	**11.0%**
Russell 2000 - Small Cap	**-3.1%**	**12.3%**	**13.4%**
Lehman Aggregate Bond	**2.8%**	**5.1%**	**3.9%**
MSCI (International)	**2.2%**	**24.9%**	**23.2%**

Performance data represents past performance and does not guarantee future results. Investing involves risk, including loss of principal. Passive benchmarks are unmanaged groups of securities and are not directly available for investment.

As always, it is the charge of the Fed to oversee the economy and to make adjustments to maintain economic growth. They must also guard against excessive inflation which can be ruinous to a national economy. And, despite the optimism on Wall Street, rate cuts are not always the economy's savior. Of concern, consumer spending – which accounts for 70% of the US economy – has been trending down.

There is continued weakness in the housing sector of the economy. We've not yet heard the final word on the problems in the sub-prime mortgage arena, which could dog the markets into next year as more adjustable rate mortgages are re-set upward. Investors appear to believe that the Fed action has contained the problem for now.

Looking forward, we see that corporate balance sheets remain historically strong, and stock values appear reasonable. The weakness of the US dollar relative to foreign currencies has caused US-made products more affordable abroad. Demand for US exports rose 2.7% during the quarter – the largest rise in more than three years.

Foreign based alternative energy companies have shown particular strength this year as the science of global warming has become irrefutable. Global alternative energy companies are newly represented in Natural Investment portfolios with the Calvert Global Alternative Energy Fund – up nearly 12% this year*.

Corporate earnings announcements for the third quarter will be very telling in determining the direction of the stock markets in the fourth quarter. If we see businesses hanging in there with reasonable earnings, there should be room for market advances.

Though the economy is tentative and very real risks are out there, we believe that long term investors can ride out the volatility and will benefit by carefully managing asset allocation and investment selection.

**Past performance is no guarantee of future results. This is not a recommendation to buy this security. Please speak with your NI advisor if you would like to discuss this investment and whether it is suitable for you.*

Christopher's HOLISTIC SOLUTIONS *continued from cover*

Holistic grazing planning is a powerful tool of Holistic Management. Based on three key insights it is classic systems thinking: what you thought was the problem is actually your most powerful solution. Conventional range management (and environmental theory) teaches that the root of rangeland decline is too many animals. If we look at historic natural systems like the savannas of Africa or the Great Plains in the US however, we see that massive numbers of animals co-evolved with highly productive rangelands. It turns out that large numbers are essential to the health of the grasslands, but they must be in a tight herd and kept moving, exactly as they would be with predators looming. Holistic planned grazing mimics this natural dynamic with domesticated animals, bunching them into one herd, and timing their movements to eliminate overgrazing of plants, while providing the benefit of dung and urine to the soil. Ranchers using Holistic Management use high animal density applied in short pulses, and careful timing of grazing and recovery matched to the features of the vegetation. Practice and experience around the globe has demonstrated that mimicking nature in this way works: rangelands regenerate, the diversity of plant species and their numbers increase, and there is less soil erosion and drought. An unintended but highly beneficial consequence of managing animals in this way is the increase of soil micro-fauna, particularly dung beetles (see page 6). Imagine the benefits to global carbon with billions of dung beetles tunneling partially digested grass three feet down into the soil!

The use of this tool can dramatically impact the first three challenges we mentioned earlier, legacy carbon in the atmosphere, the burning of grasslands, and the need to go beyond organic agriculture. Taking a more comprehensive, holistic view we can apply holistic planned grazing to ever larger tracts of land, feed animals vegetation instead of burning it, restore watersheds to former states of water permeability, and store carbon in the soil.

The appropriate use of holistic planned grazing has proven to greatly increase organic matter in the soil. We're greatly simplifying for the sake of space, but increasing organic matter on rangeland soils by 1% is doable, and accomplished on a modest ranch of 5,000 hectares, can capture 440,000 tons of $CO2$ out of the atmosphere. (Jones, 2006) With 2000 of these ranches or 10 million hectares managed you could remove 880 million tons of carbon. With total legacy carbon at 180 gigatons, that 10 million hectares and its stored carbon would represent about .5% of the legacy load. Luckily there are 4.5 billion hectares of rangeland, and if we confine ourselves to the 75% or so that is considered degraded, a modest .5% increase in soil carbon would store approximately 150 GtC. That's pretty close to our target number, and the time frame to complete this modest increase in soil organic matter is certainly within 15 years. The amazing thing is this would be done by increasing the number of grazing animals, dramatically decreasing the amount of grassland burning, and would increase the profitability of ranchers and pastoralists around the world.

The Holistic Management perspective is simultaneously the easiest and the most difficult change. Seeing the world whole is an insight that could happen in an afternoon, though usually it takes years or a lifetime to operate and make decisions from this perspective. The Holistic Management decision making process doesn't make you wait for enlightenment, it's a sturdy framework that ensures that all decisions you make are comprehensive, big picture, and inclusive.

As a species we face many challenges. Our ability to meet and overcome these challenges is strengthened by the use of Holistic Management. Please join us in our work to create a healthier and more prosperous world.

Michael's MAKING A DIFFERENCE *continued from page 2*

would seriously limit the rights of shareholders to influence corporate policies. The SEC has issued three specific proposals which most social investors believe would eliminate or cripple the resolution process: (1) the "opt-out" option that would allow the most unresponsive companies -- those with the worst records when it comes to good corporate conduct and governance -- to drop out of the shareholder resolution process and isolate themselves further; (2) electronic petitions or "chat room" would replace the public shareholder resolution process; and (3) shareholder resolution resubmission levels would be raised significantly, effectively killing many important shareholder resolutions.

Due to a large campaign, the SEC received 22,500 responses criticizing the proposed rule changes, the most ever submitted for an SEC proposal. While we await the regulatory body's decision, we applaud the mobilization of investors on this issue and hope that it will demonstrate the importance of the democratic process within corporate America. For more information, visit www.saveshareholderrights.org.

Mutual Fund Profile – Winslow Green Growth Fund

In case you missed Barron's Magazine 2006 mutual fund manager rankings announcements, let us share with you that the socially responsible Winslow Green Growth Fund was the #1 ranked fund in the aggressive growth category and #9 in the overall equity fund rankings. This is a tremendous accomplishment as there are hundreds of mutual funds in these rankings.

Jack Robinson, lead manager for the fund, viewed the ranking as an affirmation of Winslow's green investing philosophy. "Aggressive growth managers did very well generally in this survey, since that investing style has been in favor for the past few years," Robinson said. "But for Winslow to be ranked higher than any other aggressive growth manager – that's a terrific confirmation of the tremendous growth opportunities in green investing." Robinson has been the fund's portfolio manager since its inception in 2001, with Matthew Patsky joining as co-manager in 2003.

The fund managers seek out companies providing environmental solutions and proactive "dark green" firms. They pay particular attention to the organic foods, health-care, and alternative and clean tech industries. And, the fund has concentrated it's investment in a relatively small list of 30-40 companies.

WINSLOW GREEN GROWTH FUND

This is a bold approach and there have been rough spells. The managers are known to concentrate in industries and companies they favor, and these practices can cut both ways. When they're on the mark, returns can soar. But when they're off, the fund can lag. Over time the fund has posted excellent results. Over the last five years the fund has returned in excess of 30% annually.*

The fund has significantly outperformed its benchmark, the Russell 2000 Growth Index and has been in the top 1% of all small cap growth funds, for the last three and five years. We tend to focus on five year performance numbers as longer records have greater predictive power than shorter records.

At last report, the funds holdings included investments in SunPower Corporation, US Geothermal, Fuel Tech Incorporated, Green Mountain Coffee Roasters and many other exciting names.

The Winslow Green fund targets smaller companies poised for rapid and accelerating growth, driven by new product launches, developing market trends and similar factors. Their success in this has led to a five star (highest) rating from Morningstar, a popular mutual fund rating service.

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For consultation or more information on social investing, contact:
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Our New, Shorter Name: Natural Investments LLC

These days are full of strange paradoxes and "inconvenient truths". Al Gore wins the Nobel Prize while we learn that the level of CO2 in the atmosphere has already exceeded 450 parts per million, a level that scientists hoped we would avoid due to the likelihood of severe climate disruption. The Dalai Lama receives a Gold Medal from President Bush while Buddhist monks are killed as they prayerfully protest the military dictatorship in Burma (which by the way is still the correct name, not Myanmar that the illegitimate regime wants us to call them).

Every crisis contains within it a seed that helps awaken a global consciousness. As more of us tune into that stream, we are all called to take action in whatever ways are available to us.

What's a conscious, growing investment company to do in these challenging times? One way we can increase our service to the planet is to help channel more capital towards sustainable solutions. And one way to do that is to create cutting-edge investment funds that are available to the public.

In the coming months, in partnership with another investment advisor, we expect to see our first Natural Investment fund hit the marketplace. This one will be sold through insurance companies and is designed for their high net worth clients. Other ideas are percolating – we are exploring various ways to create a Regenerative Investment fund that would make it possible for average investors to invest in small, innovative companies.

To position ourselves for this expanded role, we hit upon the idea of shortening our name from Natural Investment Services LLC to simply Natural Investments LLC. This is better suited for our growing institutional offerings, but keeps our long-time identity as a leading socially responsible investment advisor for individuals. In the coming months you'll be seeing a new logo and look to our materials and a revamped website to spiff up our image. But have no fear – underneath the professional graphics is the same big-hearted team that shares a passionate commitment to serving our clients and working to create a positive future.

Dung Beetles to the Rescue

Dung beetles were worshiped by ancient Egyptians. When you learn of their power to sequester carbon and reduce flooding and drought, you'll see why! Dung beetles use the manure of large animals to create underground nests for laying eggs into. They can bury a manure patty in less than 24 hours, dramatically improving soil fertility, water infiltration and range health. Modern research on dung beetles and their preference for holistic planned grazing shows holism in action. For example to summarize research done on a ranch in Oklahoma that uses planned grazing, the dung beetles buried approximately 1 ton of wet manure per acre per day. This increased water infiltration an average of 129% on studied plots. Each extra inch of water that is absorbed into the soil adds almost 30,000 gallons of water per acre to the soil, reducing both flooding and drought.

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