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FEATURED COMPANY

WEBEX: EFFICIENT BY DESIGN, GREEN AS A RESULT

BY CELINE SUAREZ

SAN JOSE, CA – It's 10 o'clock Monday morning. Without leaving your home in San Francisco, you have already

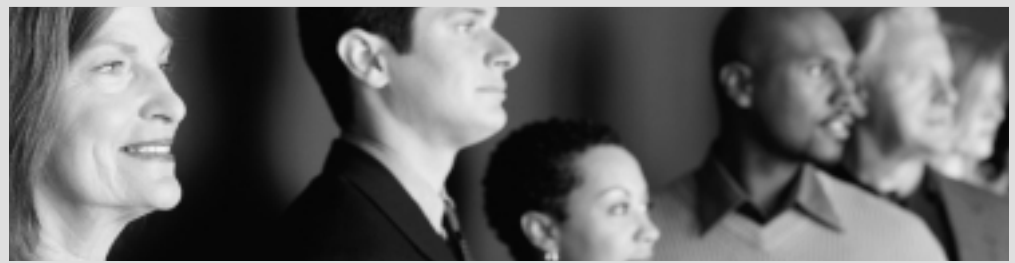


attended an early meeting in Boston—before the opening bell of the stock market. After seeing the kids off to school, you participated in the morning meeting at your company's local office, and then enjoyed a cup of coffee and breakfast in your kitchen. Moments later, you gave a PowerPoint presentation and product demonstration to a prospective client in London. By the time you actually leave for the office, gridlock is a distant memory; the usual 45-minute

Please see WEBEX page 4

Corporate Governance and Environmental Responsibility: Can Shareholders Bring about Reforms?

BY ELLEN PFEIFER



THE ENRON AND WORLDCOM BANKRUPTCY DEBACLES HAVE TURNED A GLARING SPOTLIGHT ON THE PREVIOUSLY INVISIBLE ISSUE OF CORPORATE GOVERNANCE. EVERYWHERE YOU LOOK, COMMENTATORS ARE URGING SHAREHOLDERS TO STOP PLAYING DEAD. INSTEAD OF RUBBER-STAMPING THE DECISIONS OF MANAGEMENT, SHAREHOLDERS SHOULD TAKE CHARGE. THEY SHOULD TAKE A STAND ON POISON PILLS, EXECUTIVE SALARIES, THE INDEPENDENCE OF DIRECTORS, AND OUTSIDE AUDITOR CONTRACTS. WHAT'S MORE, THEY SHOULD USE THIS CRITICAL opportunity to lean on corporations to improve social and environmental performance. The result could be greater returns on the investment dollar.

By the Shareholder, For the Shareholder?

The new call for shareholder activism stresses the sometimes forgotten fiduciary obligation owed to investors. As Federal Reserve chairman Alan Greenspan put it in a recent talk at NYU's Stern School of Business, "By law, shareholders own our corporations and, ideally, corporate managers should be working on behalf of shareholders to allocate business resources to their optimum use."

However, he noted, "as business units have become ever larger... ownership has become more dispersed." Few shareholders have enough individual clout to influence the choice of directors or executive officers. "The result is a CEO-dominant model of governance" that has "provided limited incentive" to "safeguard shareholder interests."

Most investors were content with the status quo as long as share values were appreciating. However, the recent accounting scandals and plummeting stock market prices have shocked them

Please see GOVERNANCE page 7



MARKETBEAT PAGE 2

Smaller, Lighter, More Fuel Efficient

The "New Domestics" are outpacing the Big Three in designing the next-gen car



PORTFOLIO UPDATE PAGE 6

Quantum's New Hydrogen Tank

Company receives initial approval for use in fuel cell vehicles

LTA RALLY TO BE HELD IN AUSTIN OCTOBER 26-29

For a second year, Winslow Management Company will sponsor the annual conference of the Land Trust



Alliance (LTA), to be held October 26-29 in Austin, Texas. The LTA Rally will convene more than 1700 representatives of American land trusts who work to protect environmentally sensitive territories and open space threatened by development. The diverse membership will have a chance to share experiences and resources in workshops devoted to advocacy, planning, fund-raising and legal issues. Winslow is pleased to support this assembly of professionals and volunteers who are dedicated to protecting the natural environment.

For more information see www.lta.org.

MARKETBEAT

MarketBeat: "New Domestics": The Hottest Cars on the Road

BY JACKSON W. ROBINSON

SUV drivers: watch out. A new category of automobile is emerging. Smaller, lighter, more fuel efficient, less polluting, cheaper to operate, easier to park, these new vehicles are suddenly very hot.

Labeled the "New Domestics" by the market

research firm CSM Worldwide, these are "foreign" cars and light trucks designed for the North American market and often manufactured right here in the USA. CSM

includes six companies in its new domestics profile:

Honda, Toyota, Nissan/Renault, Volkswagen, Hyundai, and BMW. All have been around for many years and

most have profited from the SUV craze just like their American competitors. However, they have also taken the lead in developing fuel-efficient models. Indeed, the three biggest innovators already have hybrids (gasoline/electric) or SULEVs (super-ultra low emission vehicle) in commercial produc-

tion and on the road. Fuel cell (hydrogen based) powered vehicles are promised in the coming model years. So popular are the new domestics that the companies are expanding local production even as traditional American firms, slumping in a no-

growth economy, are cutting back or keeping production flat.

People are clamoring for the new domestics for several reasons: The cars make good economic sense. They are less damaging to the environment. And they are cool. So, when Bonnie Raitt performs a 36-concert US tour promoting renewable energy, when syndicated cartoonists merci-

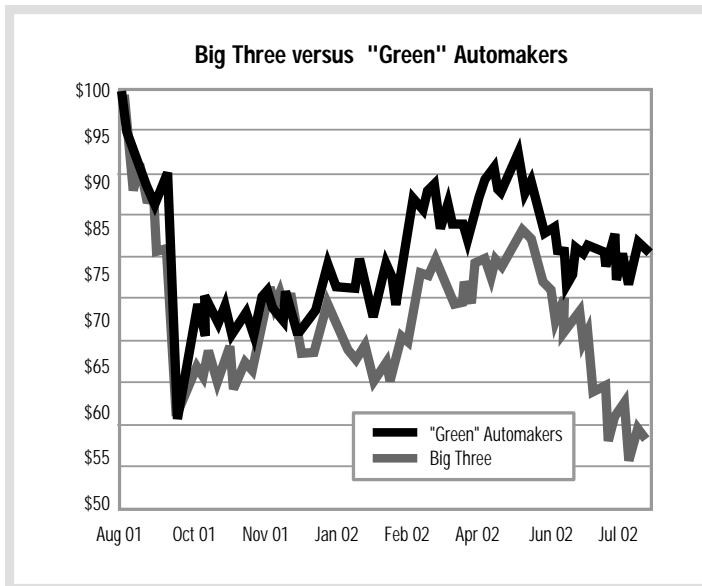
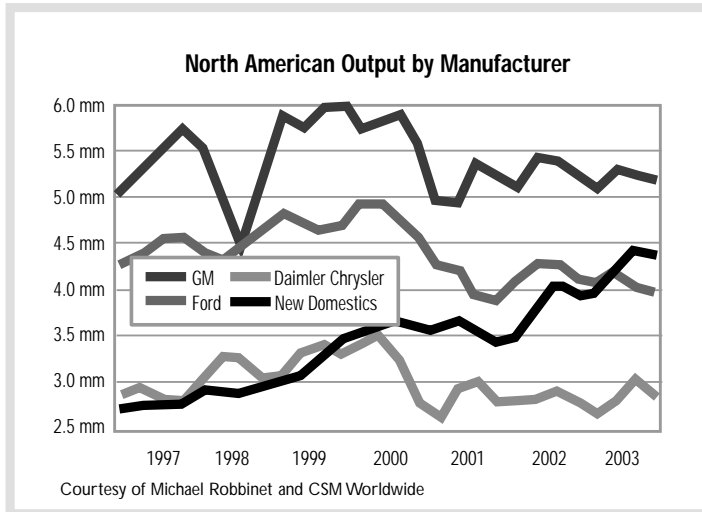


lessly lampoon SUV owners, and the IRS offers Toyota Prius buyers a \$2,000 tax deduction, consumers take note.

The quintessentially cyclical automobile industry usually responds like a barometer to every fluctuation in the economy. But the new domestics seem

immune to the recent recession. Given the state of the economy, their success is inevitably the result of taking market share from others, which in this case are the "Big Three": Daimler Chrysler, Ford, and to a lesser extent, General Motors.

Take a look at the CSM Worldwide chart below that graphs recent automobile production statistics.



Since 1997, overall industry output peaked at 17.8 million units in Q2, 2000 followed by a low of 15.4 million units six quarters later. During this seven-year period that will end in 2003, total North American automotive output has been growing by about 1% annually. However, all of that incremental

growth can be attributed to the new domestics.

By contrast, GM output has remained flat over the seven years, and Daimler Chrysler and Ford are producing fewer units.

Playing catch up, most of these "old domestics" are trying to re-engineer their growth by speeding up their development of hybrids and fuel cell vehi-

cles. The exception is Ford, which just announced that it is curtailing new green initiatives for business reasons. But all three giants are late to the "green" vehicle party.

While we certainly won't count the Big Three out of the race at this early date, we note that the stock prices of the new domestics are pulling away from the American players. Consider the performance of the last 12 months as documented in the accompanying graph. The stock prices of the three leading new domestics (Toyota, Honda, and Nissan) are outperforming the old domestics by an average of +33%.

Unhindered by big, influential oil companies and goaded by government policies in their European

and Japanese homelands, the new domestics continue to aggressively develop and commercialize their lean, green machines. In the process, they are increasing their North American market share. Not surprisingly, the stock markets are taking notice. □

Unhindered by big, influential oil companies and goaded by government policies in their European and Japanese homelands, the new domestics continue to aggressively develop and commercialize their lean, green machines.

WEBEX continued from page 1

rush hour crawl is a fifteen-minute breeze.

If your company subscribed to WebEx's communication services, this scenario could be typical. With the technology to hold meetings and collaborations via desktops, laptops, and PDAs, it could completely redefine its business communications, thereby cutting costs and increasing productivity and efficiency.

A Global Network for Everyone's Needs

Headquartered in San Jose, CA, WebEx Communications, Inc. (NASDAQ: WEBEX) has built a global network around its proprietary telecommunications switch. This information-

switching platform allows real-time, interactive transmission of voice, data, and video via the Web. Because the network is global in expanse, but independent of the Internet, it offers extremely high levels of security, and is scalable to accommodate an almost limitless number of uses.

Competitors in the web-conferencing/communication sector have traditionally relied on a store-and-retrieve system, utilizing a central database. In this model, presenters deposit information that viewers access, but with a real-time lag and with little ability to augment the visual presentation "on the

fly." In contrast, WebEx's network is analogous to a telephone switching system, with instant communication of data.

Like a system of airport hubs, WebEx has built exclusive switching infrastructure all over the globe. Data flies through these hubs from presenter to viewer and back again. If there is high traffic on the

network, the data can be rerouted to the next nearest communications hub for seamless transfer of information. As the Internet is the vehicle by which the network is accessed, it is available to anyone who is using any PC, Macintosh, LINUX, UNIX, or handheld device. Also, network and technical support are available "24/7".



In a WebEx meeting, presenters can do almost anything they could do in person. Power Point presentations are a snap, but the capabilities go much further. Presenters can pull up documents, websites, spreadsheets, 3-D CAD objects, Flash video stream, and virtually any other application. They can even pass the controls to viewers for their own manipulation. Inexpensive web-cameras can be incorporated to showcase new products and other props, or for visual conferencing among participants.

Participants can e-chat among themselves, ask questions, and hear responses in real-time.

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From Sales Calls to Term Papers

Initially, WebEx appealed to companies as a tool to improve the productivity of their sales forces. Initiating contact via the telephone, a sales representative can quickly escalate the call into a live, interactive meeting on the Web (it takes about seven seconds to join an e-meeting). Online, the salesperson can demonstrate his wares and visit clients without ever setting foot on an airplane. Indeed, these e-meetings make such a compelling case for the service that WebEx uses them as one of its own most powerful marketing tools. According to the company, 43% of its new sales leads come from people who have attended one of the hosted meetings.

Many subscriber businesses have found WebEx so cost-effective that they often expand their coverage from one division to the entire company. For an average investment of \$1500 per month (or about the cost of one business trip), a firm can subscribe at a level that accommodates 150 users with unlimited time and access.

According to Praful Shah, VP of Strategic Communications, one client "cut travel expenses by \$4 million" after becoming a subscriber. Along with such impressive cost savings, WebEx users are also

delighted by the ease of communication and high level of interactivity. So comfortable have they become with the service that some traveling business parents have even used it on the road to help their children with homework.

Saving Green, with a Green Story Too

Unlike much of the telecommunications sector,

WebEx does not seem to be adversely effected by fluctuations in the economy. During the recent boom times, its subscriptions soared as companies sought to manage their growth efficiently while still focusing on attentive customer care. In the current sluggish economic conditions, WebEx subscriptions have continued to climb as



travel and expense budgets are slashed and companies strive to maximize the productivity of fewer employees. When a company subscribes to WebEx, more often than not it realizes extraordinary savings in travel budgets and related expenses. Such a company is also contributing to a healthier environment. Commuters and sales staff use less automobile fuel. Fewer air miles are logged. Less paper is needed for documents, presentations, and collateral uses.

With a communications solution like WebEx, companies reap financial savings, and end up a little greener as a result. □

THE LAUNCH OF ACRE

Although the press, the academic community, and the financial markets refer to the "renewable energy industry" as if it were a single entity, it is, in fact, a fractured group. Renewable energy includes wind, solar, hydro, biofuels, geothermal, and hydrogen, and the companies working in these diverse sectors rarely collaborate.

Michael Eckhart of Solar International Management recognized in this situation both a problem and an opportunity. In response he has organized The American Council for Renewable Energy (ACRE), which held its organizing conference in Washington, D.C. in July. According to Eckhart, ACRE's role is to provide "a forum that will convene leaders from among all sectors of the renewable energy community. The theme of the conference was taking renewable energy to the next level of success in our country."

Traditionally, each of the renewable energy industries approached the media, funders, utilities and the business community separately, advocating on its own behalf. ACRE will foster cooperation among these sectors so that their common interests can benefit from the critical mass that a larger group offers.

Jack Robinson, president of Winslow Management and a member of the ACRE Advisory Board, was among the attendees. Other participants included over 250 federal, state and city officials, non-profit leaders, Wall Street representatives, corporate directors, and international experts. Debate was forward looking, laying the foundation for initiatives organizers hope will "put renewable energy first."

PORTFOLIO UPDATE

Quantum Technologies

(NASDAQ: QTWW)

IRVINE, CA – Shortly after its July 24 spin-off from Impco Technologies, Quantum Technologies and General Motors received initial approval to build a ground breaking, high-pressure, high-capacity hydrogen tank for use in fuel-cell vehicles. The proprietary 700 bar (10,000 psi) TriShield™ tank is the first to be certified by Germany's Technical Inspection Association (TÜV = Technischer Überwachungs-Verein). Holding nearly double the hydrogen in the same space as a 350 bar tank, the TriShield™ will ultimately allow fuel cell vehicles to achieve a driving range of 300 miles. Tests by scientists will be completed in the next few weeks at GM's Fuel Cell Activities Center in Germany. GM acquired a 20% stake in Quantum Technologies at the spin-off to further the fuel cell partnership begun last year.

One of the key challenges in manufacturing fuel cell vehicles

has been the production of a safe, efficient, and lightweight onboard storage system with enough capacity to make lengthy drives possible. The TriShield™ design features a permeation-resistant seamless liner, a high-performance carbon-composite over-wrap for strength, and an impact-resistant outer shell.

NPS Pharmaceuticals

(NASDAQ: NPSP)

SALT LAKE CITY, UT – NPS announced on July 23 that it has successfully produced additional supplies of its PREOS treatment for osteoporosis. In the July issue, WEN reported that the company had encountered problems with precipitation of the drug in its reconstituted form. This prevented the finished product from being released for clinical trials. According to Chairman and CEO, Hunter Jackson, the PREOS manufacturing process underwent a "systematic examination." This resulted in modifications that have allowed the company to produce enough PREOS to complete the clinical trials as planned. The Food and Drug Administration has approved the alterations.

V.I. Technologies (Vitex)

(NASDAQ: VITX)

WATERTOWN, MA – On August 7, Vitex and Pall Corporation announced they would accelerate clinical development and world wide distribution of the

INACTINE™ system. The proprietary medical technology is capable of inactivating a wide variety of pathogens in red blood cells including West Nile virus, Lyme disease, malaria, chagas disease, HIV, and babesia. Recently, the FDA approved the beginning of Phase III pivotal trials in the U.S.

As part of the stepped-up development strategy, Vitex and Pall have modified the terms of their collaboration. Under the new agreement, Pall will hand over its exclusive worldwide distribution rights in return for a cap on its financial commitments to the program and a royalty on each unit sold after commercialization. Over the next year, Vitex will have the right to negotiate additional partnerships to broaden geographic distribution capability. After twelve months, Pall has the option of re-establishing its exclusive marketing rights in any territories not covered by new partnerships. In exchange, it would forego its potential royalties and commit to a future stream of R&D payments.

The agreement also stipulates that Pall will fund the upcoming \$4,000,000 equity milestone upon enrollment of the first patient in the Phase III trials. It will also extend a one-year \$5,000,000 revolving credit facility to Vitex. (The amount of this facility approaches Pall's financial support over the past year.) In addition, Pall President Jeremy Hayward-

Surry will continue to serve on the Vitex Board of Directors. Vitex will retain all proceeds from new partnerships including upfront rights fees, milestone payments and ongoing royalties or profit sharing.

AtheroGenics

(NASDAQ: AGIX)

ALPHARETTA, GA – After being given the green light by the FDA in late June, AtheroGenics will expedite the initiation of Phase III clinical trials for its AGI-1067 lead compound. The testing program, being designed in collaboration with the FDA, will target atherosclerosis in patients with established coronary artery disease. With commencement of the Phase III trials, analysts anticipate announcement by AtheroGenics of a new strategic partnership to further the development and commercialization of AGI-1067.

According to Russell Medford, President and CEO, "We look forward to working diligently with the FDA toward expediting the development of the protocols for this compound that we hope will someday address the unmet medical needs of the millions of patients suffering from atherosclerosis."

Atherosclerosis is the leading cause of death in Western societies. It results from inflammation and buildup of plaque under the inner lining of arteries, causing blockage in the blood flow.

out of their complacency.

Will There be a Revolution?

Investors may be furious, but it is not clear whether they will man the barricades. As shareholder advocate Robert A. G. Monks told WEN, "It depends on whether people respond to the current crisis as they did to the 1929 crash" when there was a "sustainable will for reform" or "as they did in the 1980s' Savings and Loan disaster" when public outrage quickly subsided with only minimal improvements. Founder of Institutional Shareholders Services and the Lens investment fund, Monks believes recent Congressional passage of the Sarbanes/Oxley bill to improve the reliability and accuracy of corporate financial disclosure is only a start. "There also has to be a sense that shareholder activism is a legal obligation, a fiduciary responsibility" for large investors who have previously been unwilling to throw their weight around.

Shareholders, Unite!

The moment presents great opportunities. By reasserting a more democratic model of corporate governance, shareholders could realize better returns than they saw under the old paradigm.

Bolstering this contention is a study by Paul A. Gompers of the Harvard Business School, Harvard economist Joy L. Ishii, and Andrew Metrick of the Department of Finance at the Wharton School. Analyzing 1500 large firms during the 1990's, the researchers correlated governance rules with economic performance. Among the rules that diminished investors' rights they numbered anti-greenmail provisions, bylaw and charter amendment restrictions, staggered board elections, golden parachutes, and special meeting limitations.

The researchers found "that firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and fewer corporate acquisitions." Investors

who bought firms with the strongest rights and sold those with the weakest rights "would have earned abnormal returns of 8.5 percent per year during the sample period."

New Traction for

Social/Environmental Activism

If recent events have reinforced the shareholders' rights movement, they have also propelled the campaign of social/environmental activists. These reformers contend that improving a corporation's environmental or social performance may increase shareholder value. Therefore, it is the fiduciary responsibility of institutional investors and corporate management to push for changes.

Take the Boston-based Coalition for Environmentally Responsible Economies (CERES). In its recent report, "Value at Risk: Climate Change and the Future of Governance," CERES asserts: "Company directors and institutional investors in the United States currently control and have legal responsibilities for roughly \$7.4 trillion of financial assets invested in corporate equities. A significant proportion of it could be at risk from climate change." According to executive director Robert Massie, the threats "are two-fold: first, the economic/financial risk from damages due to climate change itself (sea level rise, weather extremes, temperature and precipitation changes etc.), and, second, exposure to the cost of...regulation and potential litigation."

At the same time, "proactive initiatives on climate change represent opportunities for new and expanded business activity, reduced costs, and increased shareholder value," Massie maintains.

A Profile in Shareholder Activism

An example of investors prodding a company on environmental behavior is the Campaign Exxon/Mobil. Lead by activist Monks, a coalition of institutional investors has twice sponsored resolutions urging Exxon/Mobil to embrace a renewable

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energy policy. The proxy ballot received a record 20 percent of shareholders' votes this year, up from 9 percent in 2001.

Because it "stood out from the crowd and let itself become the obvious chief 'climate change villain,'" Exxon/Mobil was the perfect target for such a campaign, says Monks. "You need to pick your enemies with care. Exxon is wonderful. They virtually volunteered for the black hat."


The Claros Consulting study documenting the campaign asserts that Exxon jeopardizes its "excellent financial" performance by its denial of climate change, including:

- Reputational risk. A potential hit on direct brand value of \$2-\$3 billion.
- Litigational risks of \$200 million to \$1 billion a year in legal fees plus possible damages in excess of \$100 billion.
- Risks from sudden governmental policy changes on fossil fuel use because of refusal to take precautionary measures.
- Missed revenue potential from natural gas reserves, emissions trading, and possible transformation into a total energy company.

Ironically, it probably wouldn't cost Exxon that much to clean up its act, the study argues. "The impact on equity value of reasonable policies is as little as \$2 billion—less than 1% of market capitalization." Even better, "a 'win-win' climate change strategy could actually protect or even enhance shareholder value."

Whether it's sound environmental policy or honest financial disclosure, it appears increasingly likely that shareholders will benefit to the extent they are willing to reassert their rights in corporate governance. □

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Do you realize how much
the **environment**
could mean to
your **investments?**

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