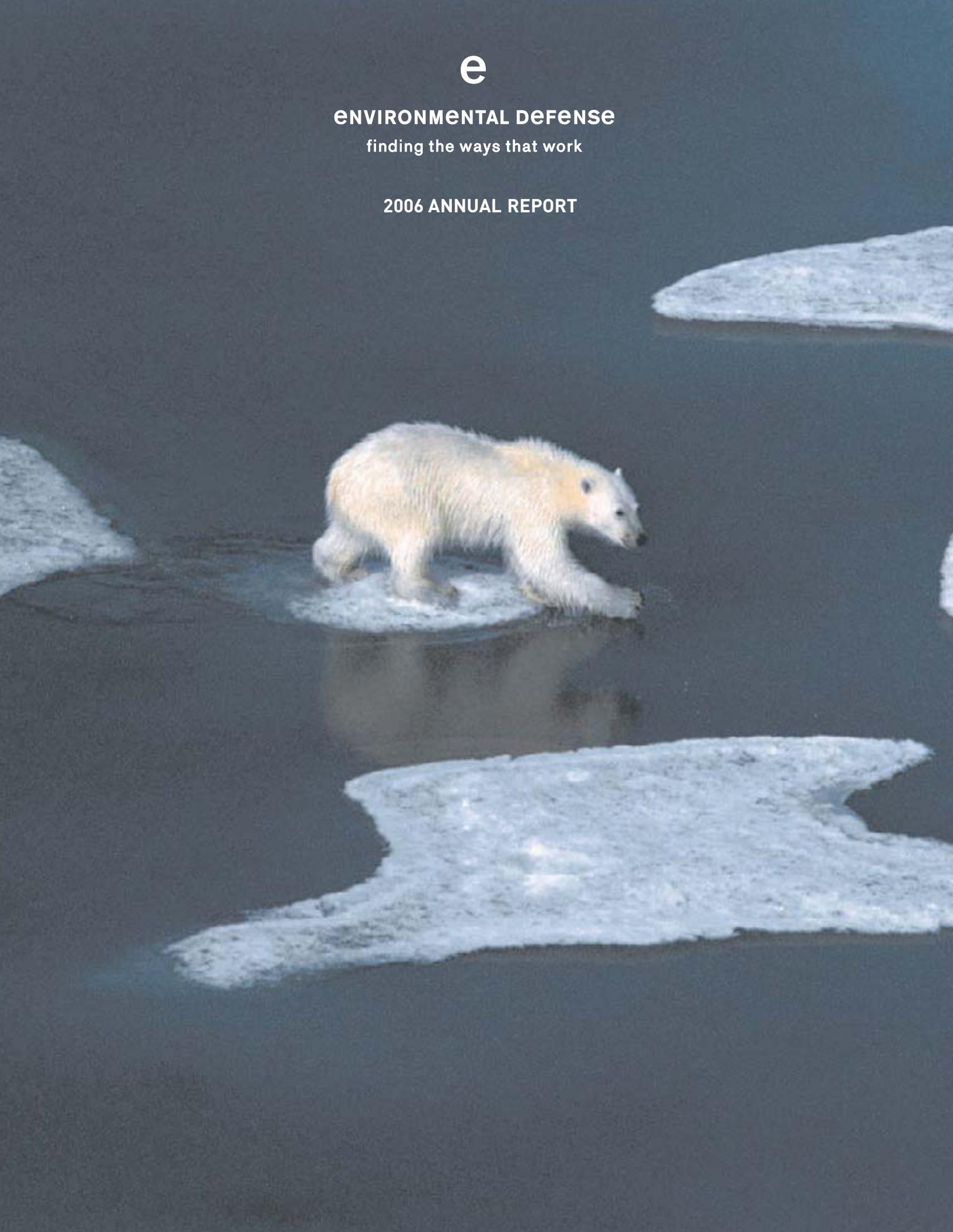


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**ENVIRONMENTAL DEFENSE**

finding the ways that work

**2006 ANNUAL REPORT**



## AT A GLANCE

### **Environmental Defense**

Originally incorporated as Environmental Defense Fund on October 6, 1967

### **Headquarters**

New York City

### **Members**

More than 500,000

### **Staff**

294 full-time staff

### **Offices**

New York, NY · Washington, DC · Oakland, CA  
Boulder, CO · Raleigh, NC · Austin, TX · Boston, MA

*Project offices:*

Los Angeles, CA · Sacramento, CA · Beijing, China  
(Addresses and phone numbers on back cover.)

### **Web site**

[www.environmentaldefense.org](http://www.environmentaldefense.org)

### **Mission**

Environmental Defense is dedicated to protecting the environmental rights of all people, including the right to clean air, clean water, healthy food and flourishing ecosystems.

Guided by science, we work to create practical solutions that win lasting economic and social support because they are nonpartisan, cost-effective and fair.

### **On the cover**

As global warming increases, the Arctic is heating up twice as fast as the global average. When sea ice melts, the exposed darker ocean absorbs more heat from the sun, leading to faster melting and accelerated global warming.

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Please share this report with others.*

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# APPLYING A UNIQUE APPROACH...

...TO THE MOST SERIOUS ENVIRONMENTAL PROBLEMS

*Environmental Defense takes  
**an uncommon approach:**  
showing how economic growth and  
a healthy planet can go hand in hand.*

*With more Ph.D. scientists and  
economists than any similar group,  
we don't just point out problems;  
**we create lasting solutions.***

*We work directly with businesses,  
government and communities  
in a nonpartisan manner,  
**developing constructive alternatives**  
that make sense for all.*

GLOBAL WARMING



8

HEALTH



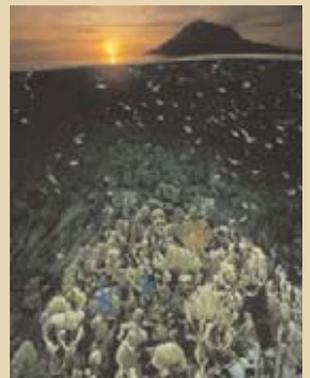
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LAND, WATER  
AND WILDLIFE



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OCEANS



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# FINDING THE WAYS THAT WORK

## What they're saying about Environmental Defense ...

*"... Grade A" (highest rating of  
any environmental group)*

**WIRED MAGAZINE**

*"... America's most economically  
literate green campaigners"*

**THE ECONOMIST**

*"... the power broker rewarding  
good behavior"*

**TIME MAGAZINE**

*"... one of the hottest  
environmental groups around"*

**THE WALL STREET JOURNAL**

## Message from the chairman

"I used to think all environmentalists were out of touch," a new friend of Environmental Defense recently told me, "but this group runs its business the way I run my own."

Businesspeople know that success takes a particular mix of imagination and drive, and they find that combination of entrepreneurial spirit and hard-nosed persistence in the people at Environmental Defense. At our board meetings, trustees don't race to sit next to the visiting dignitaries; we want to sit next to staff. We feel privileged to be connected to our colleagues. We want to be part of their work, to give something back, to make a difference for future generations.

The signature tactics of Environmental Defense are the use of market incentives and the creation of partnerships with diverse, often unexpected, allies. For more than three decades, we have been committed to leveraging the power of the market, by creating economic incentives for businesses and farmers and landowners and fishermen to do the right thing for the environment. It's the central organizing principle guiding how we create and implement win-win solutions.

Environmental Defense had an enormously productive year, as you'll see in these pages. But what particularly excited me was a glimpse into the future: In places like Washington, DC, Sacramento, CA, and Beijing, China, this year we heard many voices put forward a single powerful concept as the best way to reduce the impact of global warming: *market incentives*. That's the singular impact of Environmental Defense. And where consensus was absent just a few years ago, there is now real momentum building to take on big environmental problems like global warming.

Our success this year came because of your generous support. We are deeply appreciative.



N.J. Nicholas, Jr.  
*Chairman of the board*

# LEVERAGE



Chairman **N.J. Nicholas, Jr.**, president **Fred Krupp** and executive vice president **David Yarnold** near Environmental Defense headquarters in Manhattan.

## Message from the president

I'm often asked how it is that a few hundred people at Environmental Defense can change the world.

First, with our members and strategic partners we're really hundreds of thousands. In this report you'll see how those partnerships leverage our strength. With Native Hawaiian elders, we created the world's largest marine protected area; with FedEx, we designed new fuel-efficient trucks; with private landowners, we protected millions of acres of wildlife habitat.

Second, we leverage our ideas through powerful market incentives. Well-crafted market policies set strict environmental goals but leave it up to the engineers and entrepreneurs to find the most efficient ways to meet them. By helping to design and implement such policies, Environmental Defense delivers global results.

This year we conceived the idea of a sweeping, economy-wide cap on global warming pollution in California. We wrote the first draft of the legislation, cosponsored the bill and led the successful effort to pass it. This required partnering with lawmakers, venture capitalists, health organizations, religious leaders and other environmental groups. The result? The start of what our partner John Doerr, a leading Silicon Valley venture capitalist, calls a "green technology revolution." It comes just as a British government report concludes that global warming's worst impacts can still be prevented and that the cost of acting is far less than the cost of inaction.

To win in California, we had to mobilize public support. Because tax laws cap our annual legislative spending at \$250,000, we launched a sister group, the Environmental Defense Action Fund. Your non-deductible contributions to the Action Fund helped us win in California and now are needed to win in Washington, DC.

Having recently opened an office in Beijing, we soon will open another, in Bentonville, Arkansas—Wal-Mart's home. This might seem an unexpected venture for Environmental Defense. But our goal is to help the world's largest company set the strongest possible environmental standards for its 61,000 global suppliers. When our doors open in Bentonville in 2007, we will have yet another point of leverage to move the world.

Thank you for making our work possible.

A handwritten signature in black ink that reads "Fred Krupp".

Fred Krupp  
President

# A WINNING COMBINATION

What if Ph.D. scientists, economists and business experts could **work together to solve environmental problems**? It's happening every day at Environmental Defense.

Rather than engaging in confrontation, we sit down with other stakeholders, roll up our sleeves and introduce change.



*Environmental Defense project manager Millie Chu Baird tours an Entergy generating station with plant manager Mary Lancaster. In partnership with us, Entergy is finding innovative ways to meet growing electricity demand while holding greenhouse gas emissions flat at 20% below 2000 levels.*

**OPEN THIS FLAP  
TO SEE OUR APPROACH AT WORK.**

# ENVIRONMENTAL DEFENSE USES A

## STRONG SCIENCE

Advancing policy through breakthrough research

Scientists founded Environmental Defense nearly 40 years ago. Ever since then, biologists, chemists and physicists on our staff have found in science a way to cut through logjams.

In 1998, for instance, atmospheric physicist Dr. Michael Oppenheimer—then our climate director and now science advisor—published a paper in *Nature* warning that human-caused global warming might so accelerate polar melting that the West Antarctic Ice Sheet could begin to collapse, setting off a chain of events that ultimately would raise sea levels 20 feet.

Oppenheimer’s focus on “tipping points” that could destabilize the climate proved seminal. It fundamentally altered the thinking of scientists and policymakers, who had struggled with a thorny question: Since greenhouse gases persist in the atmosphere for decades, some amount of warming is inevitable, even if all emissions were stopped today. So what should we do?

“Oppenheimer got the whole scientific community focused on critical thresholds like melting ice sheets,” says our chief scientist Dr. William Chameides. “What we needed to do became clear: Develop emissions targets that can prevent the globe from reaching these points of no return.”



Chief scientist **Dr. William Chameides**, former Regents Professor and Smithgall Chair at Georgia Tech, is the only National Academy of Sciences member on the staff of a national environmental group.



## A FEW OF OUR HISTORIC RESULTS

### SCIENCE

**1967:** A small group of scientists forms our organization to win a U.S. ban on DDT, which harmed wildlife and tainted mother’s milk.

**1985:** Our scientists help convince federal regulators to phase lead out of gasoline, leading to a dramatic decline in childhood lead poisoning.

### PARTNERSHIPS



**1989:** A plan we designed with two Western water districts provides conserved irrigation water to city residents.

### MARKETS

**1975:** Our economic model leads California regulators to call for energy efficiency rather than new coal and nuclear plants.

**1987:** We play a key role in the treaty to phase out CFCs, chemicals that damage the Earth’s ozone layer.

# UNIQUE APPROACH TO GET MORE RESULTS

## UNCOMMON PARTNERSHIPS

An approach that attracts powerful allies

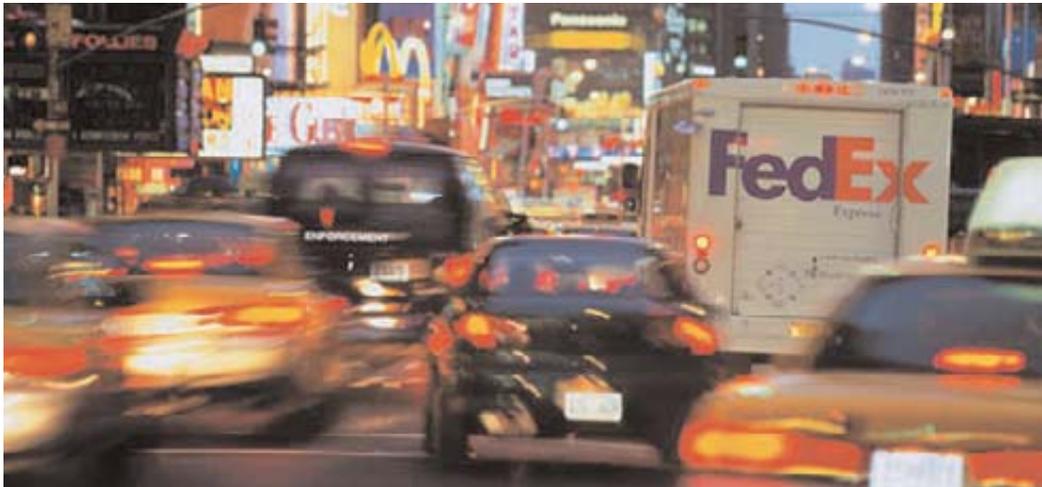
To change America, you need to engage America's corporations.

Environmental Defense brings about change not through confrontation, but through partnership with powerful market leaders. We approached FedEx, for instance, with a goal of transforming truck technology in America. FedEx rose to the challenge and together we developed ambitious performance goals and commissioned new powertrains. Today, our hybrid trucks run 57% farther on a gallon of fuel and reduce the particulates that cause cancer and respiratory illness by 96%. As we anticipated, other fleets have begun to follow FedEx's lead, including Coca-Cola, PG&E and the U.S. Postal Service.

It is not just altruism that moves major corporations to join us: Rather, our scientists, economists and engineers quantify the benefits of improving efficiency and reducing waste. As McDonald's vice president Bob Langert recently wrote on his corporate blog: "Environmental Defense is probably the best nongovernmental organization to find the intersection between profit and planet."



*Director of corporate partnerships*  
**Gwen Ruta** is a chemical engineer who held senior management positions in government and private industry before joining Environmental Defense.



**1991:** McDonald's accepts the recommendations of our joint task force, eliminating more than 300 million pounds of packaging waste.

**1997:** Our research finds that endangered species tend to be concentrated in "hot spots" where conservation efforts can be focused.

**2000:** Seven of the world's largest corporations join us in a partnership, setting firm targets to reduce their greenhouse gas emissions.



**1990:** The Clean Air Act uses our market-based design. Acid rain is reduced faster than expected, at a fraction of the predicted cost.

**1997:** Our cap-and-trade architecture becomes the basis of the U.S. global warming proposal adopted at Kyoto.

## INNOVATIVE MARKETS

Mobilizing the energy of entrepreneurs

Market competition has always been the most powerful engine of American innovation. Environmental Defense long ago found a way to harness that engine for environmental progress. By creating a market for water rights in the 1970s, we gave farmers an incentive to conserve water and sell it to cities—avoiding new dams on California’s wild rivers.

By persuading the first President Bush to cap sulfur dioxide emissions in the Clean Air Act, while allowing power plants that went beyond their required reductions to bank or sell excess quota, we demonstrated that air pollution could be reduced more quickly and at lower cost than predicted. Our design of a cap-and-trade mechanism is now the centerpiece of international plans to reduce global warming pollution.

Other markets we helped establish have aided endangered wildlife and rebuilt fisheries, reviving local communities that depend on fishing. Such markets could not exist without strong laws, however. That’s why in 2005 we formed the Environmental Defense Action Fund to persuade both parties in Congress to enact laws that protect the environment.



*Chief economist Dr. Daniel Dudek is the world’s leading expert in developing cap-and-trade programs to reduce pollution at least cost. China has honored him for his role in reducing that country’s air pollution.*



**2002:** We assemble the science showing that marine protected areas boost fish populations dramatically.



**2003:** Deep cuts in unhealthy diesel pollution from farm and construction equipment are spurred by our national and local work.



**2002:** We aid in passing California’s first-in-the-nation law to reduce global warming emissions from vehicles.

**2003:** Our advocacy helps end Congress’s moratorium on market-based “catch share” methods to protect fisheries.

**2004:** The first FedEx hybrid-electric trucks hit the road. The new vehicles reduce soot by 96% and go 57% farther on a gallon of fuel.

**2005:** We help spur the Clean Air Interstate Rule, a cap-and-trade regulation to reduce sulfur and nitrogen oxide pollution.

# GLOBAL WARMING

*More devastating hurricanes,  
extended heat waves,  
record-breaking floods.*

*This doesn't have to be our future.*

# California caps global warming pollution

California took a monumental step this year when it passed the Global Warming Solutions Act. The groundbreaking initiative, signed into law by Governor Arnold Schwarzenegger in September, sets the nation's first statewide cap on greenhouse gas emissions, mandating a 25% cut by 2020.

Faced with the growing threat of heat waves, wildfires and water shortages, California's Republican governor and Democratic-controlled legislature took decisive action. Environmental Defense conceived of legislation to empower the state Air Resources Board to cut emissions at power plants, oil refineries and other industrial sources. We then cosponsored and helped draft the bill.

When special interests launched a multimillion-dollar cam-

paign to thwart the legislation, Environmental Defense joined with the Natural Resources Defense Council to fight back. We led an unprecedented coalition including religious and health organizations, firefighters and teachers unions and the Bay Area Council, which represents 275 businesses. "We were outspent ten to one," says our California climate director Karen Douglas, "so we knew we had to work from the bottom up."

Negotiations nearly collapsed on several occasions. At one point our attorney Jim Marston was summoned to the governor's office. He met Schwarzenegger outside the tent where the governor smokes cigars and cuts deals, and told him what was needed to keep the support of a majority of the legislature. As the vote approached, our legislative advocacy arm, the Environmental Defense Action Fund, unleashed a barrage of newspaper and TV advertising, donor calls and email alerts. The strategy proved effective. After midnight, one day before the end of the session, an agreement was reached.

The historic law authorizes emissions trading—an approach we developed to reduce pollution at the

lowest cost—and also offers protections for local communities where air pollution is particularly acute.

"This is a triumph not just for California, but for the nation and the world," says Assembly speaker Fabian Núñez, a co-author of the bill. "Environmental Defense played a pivotal role in drafting the bill and securing broad support that was critical to its passage." The initiative complements earlier legislation we helped pass to limit greenhouse gas emissions from cars. Those standards have since been adopted by ten other states and Canada.

Increasingly, smart businesses see opportunity, not peril, in climate action. "California has sent a clear market signal," says venture capitalist John Doerr, one of many Silicon Valley leaders to back the initiative. "Going green may be the largest economic opportunity of the 21st century." Studies show that the law will provide tens of thousands of new clean-tech jobs and generate up to \$74 billion annually for the economy.

California's bold action reinforces the state's reputation as an environmental pioneer. It was the first to pass strict clean-air legislation and the first to require warnings of toxic chemicals in products. Other states—and the nation—soon followed.

Says Marston: "Ten years from now, we'll look at this as a pivotal moment when America finally decided to tackle global warming."



*"Environmental Defense played a pivotal role in drafting the bill and securing broad support that was critical to its passage."*

## **FABIAN NÚÑEZ**

Speaker of the California Assembly

# MORE OF THIS YEAR'S RESULTS

## Building the coal plant of the future

Xcel Energy announced plans in Colorado to build the nation's first coal plant that will reduce global warming pollution by capturing greenhouse gases and storing, or sequestering, a portion of the waste gases underground. The project, the result of collaboration with Environmental Defense and Western Resource Advocates, will use advanced technology that turns coal into a gas, which is then burned to produce electricity. Xcel's plant raises the bar for the 150 new coal plants proposed across the nation.

Meanwhile, in California, our *Coal Shadow* report, an analysis of electricity purchases from out-of-state coal plants, spurred a new law requiring such plants to meet California's strict greenhouse gas limits in order to receive long-term contracts to sell power in the state. Our study demonstrated that energy efficiency and renewable energy like wind and solar would eliminate the need for nearly two dozen plants slated for construction. Already, the policy has discouraged the construction of at least two conventional coal plants, in Idaho and Nevada.



Policy analyst **Sara Hessenflow Harper**, international counsel **Annie Petsonk**, national climate campaign director **Steve Cochran**, legislative director **Elizabeth Thompson** and Texas regional director **Jim Marston** are among more than 50 staff members working to get America to take decisive action on global warming.

# FROM OUR GLOBAL WARMING TEAM



## China embraces market for cleaner air

Working with Environmental Defense, China established a market-based system to cut sulfur dioxide pollution and now is exploring a similar approach for global warming gases. In 2006, we began four pilot projects with poor farmers in Xinjiang province. They will adopt farming practices that keep carbon dioxide out of the atmosphere and slow the spread of deserts. The conservation work will be paid for by companies seeking to lower global warming pollution.



## Northeast states unite to cut power-plant pollution

Eight Northeast states agreed on a plan to implement the first multistate cap-and-trade program to cut global warming pollution. Under the plan, which Environmental Defense helped initiate and design, the states will cut greenhouse gas emissions from power plants 10% by 2019. The trading program creates competition so that the cuts will be made at the lowest cost. Western states now are discussing a similar regional initiative.



## Bringing rainforest nations into the fight against global warming

The clearing and burning of tropical forests accounts for about 20% of all greenhouse gas emissions but current climate treaties do not address this problem. Environmental Defense and partners in Brazil took the first significant steps toward a plan that would award credits in the global carbon market to nations that reduce deforestation. We then worked closely with Papua New Guinea and Costa Rica to broaden support at international negotiations.



## Ad Council joins us in launching \$100 million campaign

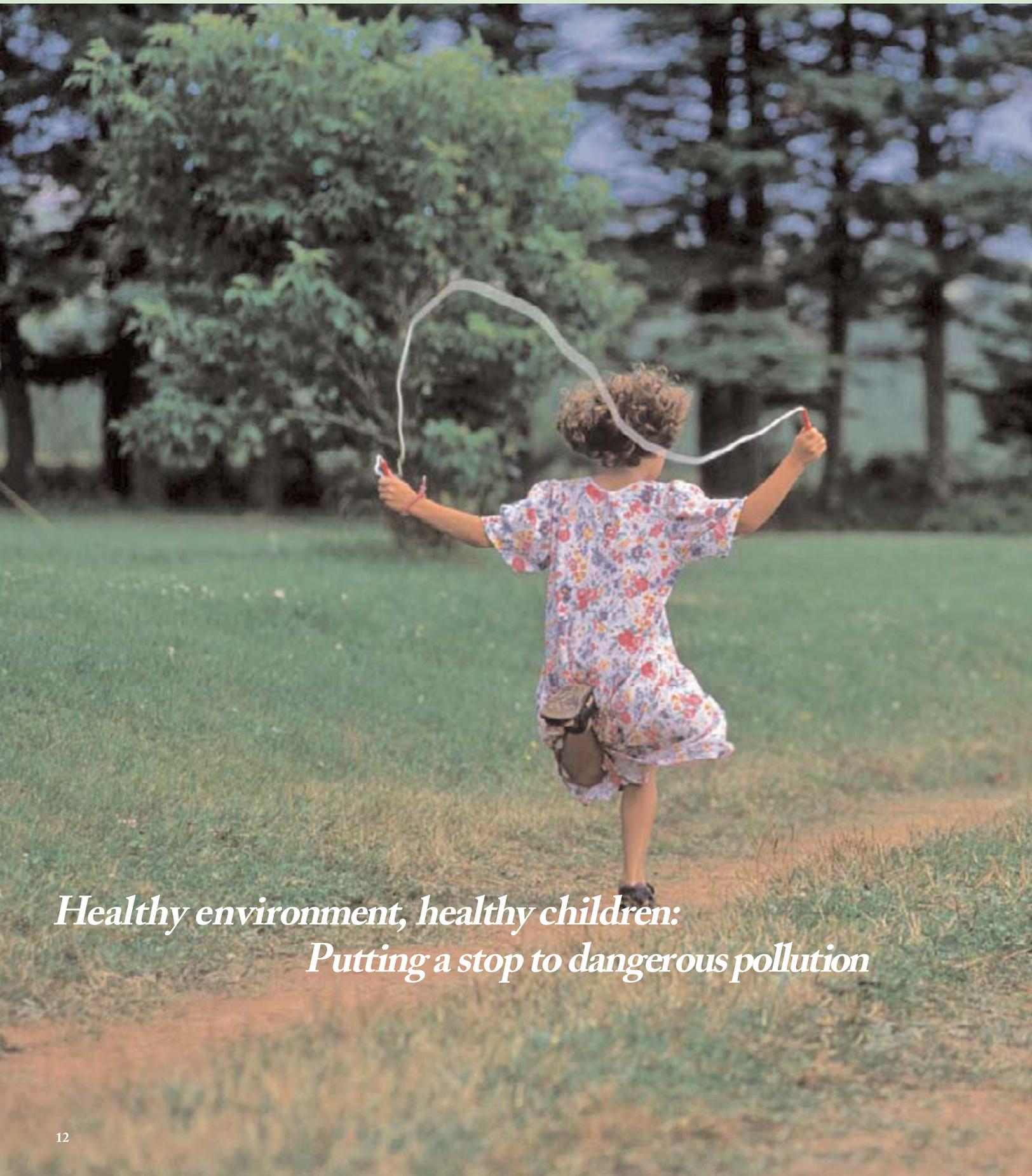
The Ad Council—the force behind such memorable campaigns as Smokey Bear—joined us this year to educate and motivate Americans to fight global warming. Our messages have aired tens of thousands of times on stations across the country. TV, radio, newspaper, magazine, online and outdoor ads have directed more than 500,000 visitors to our campaign web site, [fightglobalwarming.com](http://fightglobalwarming.com).

*“Our top priority is to pass national legislation that caps global warming pollution and creates a flexible emissions-trading market. That will open the door to a green technology revolution.”*

**STEVE COCHRAN**

Director of our national climate campaign

# HEALTH



*Healthy environment, healthy children:  
Putting a stop to dangerous pollution*

## End of the road for high-sulfur diesel

The yellow school bus stops at the corner, picks up its precious cargo and spews a plume of black diesel exhaust. There's something wrong with this picture.

Although school buses are the safest form of transportation for kids, diesel particulates from bus tailpipes pose significant risks to children's health. The level of toxic air pollution can be up to five times higher inside the buses than outside.

While cars have been subjected to tough pollution limits for more than 30 years, diesel engines—including those used in buses and in agriculture and construction—have basically had a free ride. We set out to tackle these under-regulated sources of pollution.

This year, our work yielded two major achievements. Thanks to



new Environmental Protection Agency (EPA) rules that we helped bring about, model year 2007 diesel trucks and buses must be equipped with modern pollution controls, and the amount of sulfur allowed in most diesel fuel nationwide has been cut by 97%.

That's good news for parents like Isabella Schmidt. "You could smell the fumes," says Schmidt, whose son rides the bus outside Houston. Last year, with help from Environmental Defense, the local school district began retrofitting its bus fleet for cleaner fuel.

We laid the groundwork in 2000 when our attorney Vickie Patton testified at public hearings and garnered support among refiners and state officials for strong diesel rules. When engine manufacturers challenged the standards in court, we joined with allies in a successful defense. Once fully implemented, the rules will slash soot and smog-forming pollution by 90%—the equivalent of taking 13 million trucks and buses off the road—and prevent 8,300 premature deaths annually, according to EPA.

"Reducing diesel pollution is perhaps the single most important measure we can take to protect

human health from air pollution," says Dr. John Balbus, our Health program director. Sooty particles in diesel exhaust lodge deep in the lungs, causing multiple health problems, including respiratory illnesses, heart disease and cancer.

EPA estimates that the new rules will bring \$70 billion in health benefits annually at a cost of \$4 billion. "In terms of the cost-benefit ratio, this regulation ranks up there among the top actions EPA has taken in its history," said the agency's John Millett.

Building on that victory, we teamed up with the American Lung Association to win similarly strong rules for diesel-powered tractors, construction equipment and other nonroad engines, which are notorious polluters. We also forged a legal settlement with EPA, closing a loophole that had exempted diesel-powered backup generators and stationary engines.

Because diesel engines run for decades, we helped develop and pass federal legislation, sponsored by Senator George Voinovich (R-OH), authorizing \$1 billion over five years to clean up existing fleets.

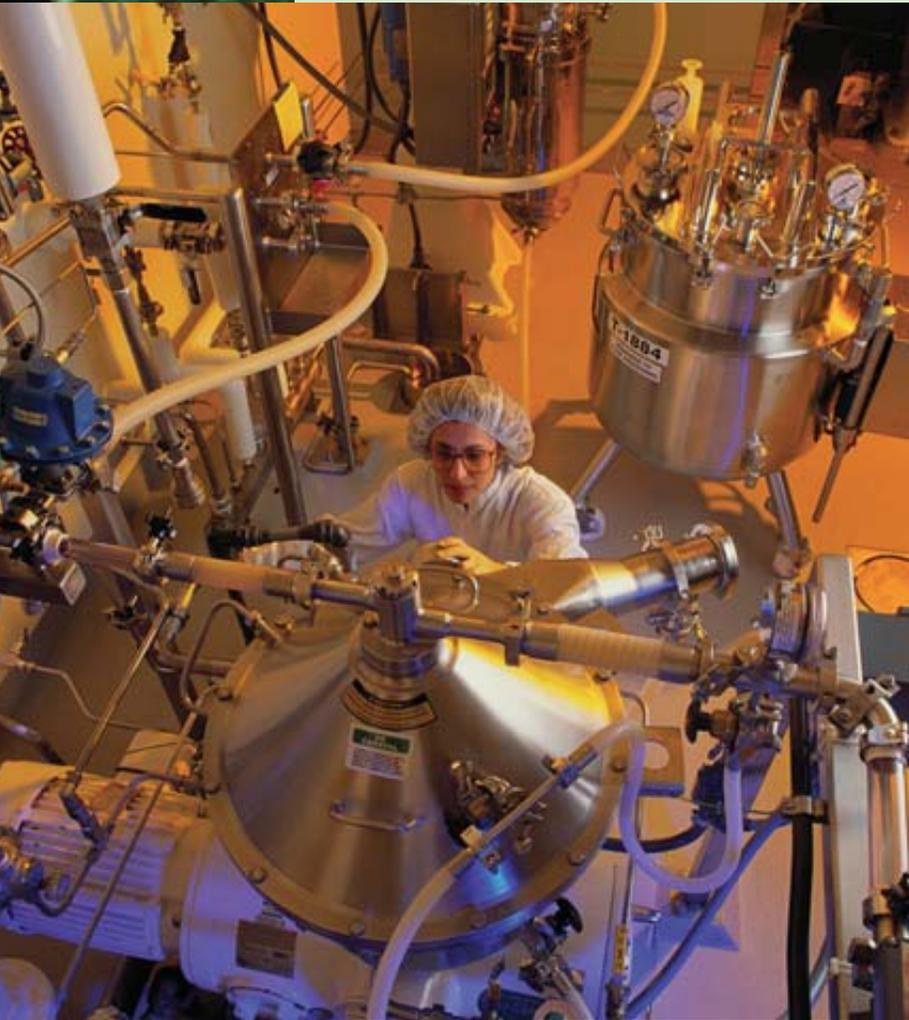
We are now pressing EPA to crack down on locomotives and ships, the last remaining poorly regulated sources of diesel pollution. "The days of dirty diesel may soon be history," says Patton. "Every American stands to benefit, children most of all."

*"In terms of the cost-benefit ratio, this regulation ranks up there among the top actions that EPA has taken in its history."*

**JOHN MILLETT**

U.S. Environmental Protection Agency

# MORE OF THIS YEAR'S RESULTS



## DuPont and Environmental Defense join forces for nanotechnology safety

Nanotechnology is being hailed as the next industrial revolution. Within a decade, the market for tiny, engineered particles could exceed \$1 trillion. Nano products could deliver dramatic breakthroughs in medicine and energy production, but evidence is mounting that some nano-size materials can pose human health risks as well.

To develop safety standards that can be adopted industry-wide, Environmental Defense partnered with DuPont, a leader in nanotechnology. Our goal is to ensure that society can reap nano's benefits while avoiding the unintended consequences that plagued other modern "miracles" like PCBs and asbestos.

Together our experts have begun to establish a framework for the responsible production, use and disposal of nano-scale materials, which already are found in more than 200 products ranging from sunscreen to golf clubs. Says our technology expert Scott Walsh: "With the right mix of careful research, corporate leadership and clear regulations, we can diminish risks before products hit the market."



Scientist **Dr. Ramón Alvarez**, Health program director **Dr. John Balbus**, attorneys **Janea Scott** and **Vickie Patton** and Living Cities program director **Andrew Darrell** devise strategies to cut toxic pollution and protect human health.

# FROM OUR HEALTH TEAM



## Loophole for dirty power plants closed

Environmental Defense and our partner Earthjustice scored a major legal victory when a federal appeals court reversed a Bush administration policy that would have allowed thousands of aging power plants and industrial facilities across the country to expand without installing modern pollution controls. The court's unanimous decision saved the bedrock "new source review" provision of the Clean Air Act, which empowers local communities to demand reductions when pollution is increased.



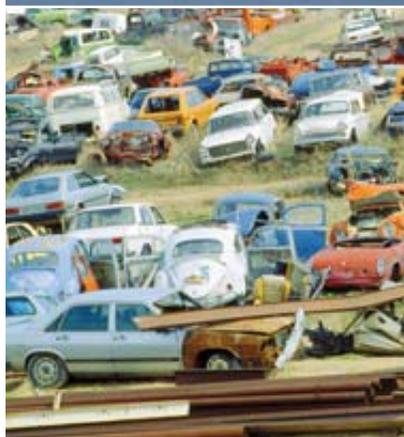
## Poultry producers curtail antibiotics

The effectiveness of medically important antibiotics for humans is threatened by their rampant overuse on farm animals. An estimated 70% of all antibiotics used in the United States are fed to healthy animals. In 2006, four of the nation's top poultry producers reported ending this harmful practice after we persuaded major buyers such as McDonald's not to purchase such poultry. Now pork is subject to a similar purchasing policy that we developed with Compass Group, America's largest food service company.



## Will Southern California ports become the nation's greenest?

The Los Angeles and Long Beach ports are America's busiest harbor—and Southern California's largest source of air pollution. Guided by our attorney Jerilyn Lopez Mendoza, who is vice chair of the harbor commission, the ports adopted a plan to slash emissions from ships, locomotives, trucks and cargo-handling equipment. The plan will cut air pollution in half within five years and represents the most comprehensive port cleanup in U.S. history.



## Automakers to remove mercury from scrapped vehicles

Environmental Defense brokered an agreement with EPA, automakers, steelmakers and recyclers to remove mercury switches from the 12 million cars that are scrapped each year across the country. The deal will prevent up to 75 tons of mercury, a potent neurotoxin, from being released into the air during the steel recycling process. We started the ball rolling by winning mercury legislation in Maine, successfully defending it in court, and then spreading the law to nine other states.

*"Everyone has a right to breathe healthy air, but more than half of all Americans live in areas that don't meet clean-air standards. We're working to change that, so that kids and adults can breathe easier."*

**VICKIE PATTON**  
Attorney

# LAND, WATER AND



*Working with landowners  
to bring imperiled creatures  
back from the brink*



## A stunning comeback for a national symbol

A generation ago America's national symbol, the bald eagle, nearly vanished from our skies. A fierce predator with a seven-foot wingspan, the eagle had no defense against DDT, the pesticide Rachel Carson warned about in *Silent Spring*. Sprayed widely on crops and mosquito breeding areas, DDT was building up in the environment and causing the eggshells of birds of prey to weaken and crack.

Four scientists set out to rid the country of DDT, and in 1967 they founded the organization that is now Environmental Defense. We spearheaded the campaign for a U.S. ban on DDT and started the bald eagle on the road to recovery.

Today, America's bird has reoccupied its range across the lower 48 states. Compared with 1963,



when just 417 pairs of eagles nested south of the Canadian border, this year there were more than 9,500 pairs.

Banning DDT was essential for the bald eagle's survival. But it is the Endangered Species Act that has allowed the eagle and many other rare species to flourish.

Signed by President Nixon in 1973, the Act helped bring the eagle back through urgent recovery actions: Four national wildlife refuges were created, allowing the eagle to safely nest and overwinter; eagles were reintroduced to areas where they had vanished; and penalties for harming the bird were increased.

Other species once headed for extinction such as the whooping crane, gray wolf and California sea otter also have made spectacular comebacks thanks to the Act. But many more need its help. Pressures are multiplying: According to scientists, species are disappearing at a rate at least 100 times greater than before the modern era.

That didn't stop a group in Congress from launching the most serious assault on the Endangered Species Act in three decades, claiming the law is unworkable.

Environmental Defense fought back in 2006, helping block a bill that, had it been enacted a generation ago, would have made protecting the bald eagle all but impossible.

To strengthen Congressional and landowner support for the Act, we offered new incentives that have spurred conservation and cut compliance costs. Our Safe Harbor initiative has inspired private landowners across the country to welcome endangered species on nearly four million acres. In Congress, we gathered experts from 15 scientific organizations—representing 25,000 scientists and natural resource managers—and showed how conservation and landowner interests are compatible. Our wildlife director Michael Bean, who helped write the current Endangered Species Act, points out, "We're not just defending the law. We're making it better."

"With a creative approach, Environmental Defense demonstrated how a strong Endangered Species Act benefits both rare species and people," notes Edward O. Wilson of Harvard University.

Our opponents are still attempting to overturn this vital environmental law. But the sight of bald eagles in our skies, whooping cranes in our marshes and sea otters in our coastal waters is living proof that with powerful laws and sufficient funding, endangered species can recover.

*"With a creative approach, Environmental Defense demonstrated how a strong Endangered Species Act benefits both rare species and people."*

### **EDWARD O. WILSON**

Pellegrino Research Professor in Entomology, Harvard University

# MORE OF THIS YEAR'S RESULTS



## Endangered species: Home on the firing range

More endangered species live on U.S. military property than in our national parks, but rare species and the armed forces have not always seen eye to eye.

Environmental Defense found a way for the military to become a better steward at the country's largest Army base in Fort Hood, TX.

We played a lead role in designing a program that will give the Army more flexibility for training while dramatically boosting the recovery prospects of an endangered songbird, the golden-cheeked warbler. Fort Hood is home to the world's largest nesting population of the warbler.

The program gives credits to Fort Hood for restoring warbler habitat on private lands off post, where the birds most need it if they are to recover. The credits will go into a "bank" that the base can tap if on-base habitat is harmed.

"You rarely get to work across a species' entire breeding range," says our scientist David Wolfe, who chaired the scientific committee that designed the system.

The Pentagon is eager to apply our model to other species and installations. "Nothing like this has been tried before," says Fort Hood's assistant chief of staff, Ron Perry. "It absolutely could work at other bases."



Land, Water and Wildlife program co-director **Mary Kelly**, farm specialist **Scott Faber**, wildlife program director **Michael Bean**, Land, Water and Wildlife program co-director **Robert Bonnie** and attorney **Tom Graff** are developing incentives that recruit new partners for conservation.

# FROM OUR LAND, WATER AND WILDLIFE TEAM



## Restoring a Lake Erie watershed

Our experts helped Ohio dramatically improve a program to restore water quality and habitat on 67,000 acres of Lake Erie watershed, one of America's most intensively farmed landscapes. The changes give farmers more flexibility and \$220 million in incentives to control erosion and restore streamside buffers and wetlands. Together, the measures will protect nearly 2,400 miles of streams and tributaries.



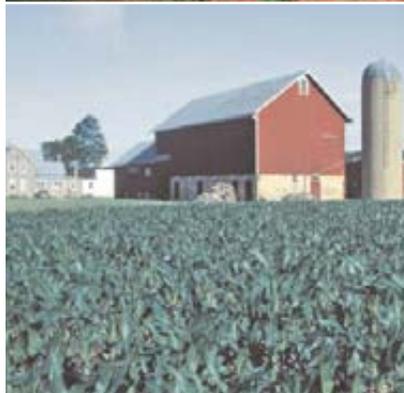
## A cleaner, healthier Chesapeake Bay

Declining water quality created a vast dead zone in the Chesapeake Bay, threatening the nation's most biologically productive estuary, so we teamed up with farmers to cut back on excessive fertilizer use on 42,000 acres around the bay. We're providing the farmers with new technology that gives them more precise information on the amount of fertilizer their soil needs. The program, which can also save farmers money, is now being expanded to more of the bay's watershed.



## Hope for the Colorado Delta

The Colorado River Delta along the U.S.-Mexico border is a crucial stopping point on the Pacific flyway visited by 395 species of birds, but decades of water diversions have degraded the estuary. We halted a dredging project that would have destroyed habitat, and now we are working to promote major restoration on both sides of the border.



## Rewarding farmers who conserve the land

With the majority of America's land being managed by farmers and ranchers, the federal Farm Bill can be the nation's most powerful economic tool for conservation. This year we built a left-right alliance of farmers, fiscal conservatives and international development groups to block the extension of wasteful farm subsidies that harm the environment. We aim to shift more dollars to conservation in the 2007 Farm Bill.

*"Most endangered species depend on private lands for survival. But many landowners do not welcome endangered species on their property. With the number of extinctions rising, we knew we had to do something about that."*

**MICHAEL BEAN**

Wildlife program director

# OCEANS



*Earth's vast undersea wilderness.  
Can it be saved?*

## We help create the world's largest marine reserve

Lying 1,200 miles northwest of Honolulu, the Pearl and Hermes Reef ranks among the world's most isolated places. Here wildlife reigns: Green sea turtles, big as overturned wheelbarrows, share the beach with some 160,000 seabirds, including one-fifth of the world's black-footed albatrosses.

The atoll, forming a 15-mile-wide circle of coral around the site of a sunken volcano, is just one of the jewels of the biologically rich Northwestern Hawaiian Islands. This year a coalition built by Environmental Defense and local allies helped win permanent protection for the islands, creating the world's largest marine protected area.

President Bush declared the islands a national monument in 2006, safeguarding 84 million acres



of marine wilderness—an area larger than all of America's national parks combined. "This is huge," says our president Fred Krupp, who took the case for the islands' protection directly to the president in April. "It's as important as the establishment of Yellowstone."

The designation fulfills a legacy begun by Theodore Roosevelt a century ago, when he declared the area a national wildlife refuge, and culminates a long effort by Environmental Defense and local allies. "The monument is an extraordinary victory for the environment and for the recognition of Native Hawaiian cultural practices," says our scientist Dr. Stephanie Fried, who has worked on the issue for nearly a decade.

National monument status gives the archipelago the highest level of government protection. Fishing will be phased out in five years and coral mining prohibited. The area will remain open to Hawaiians for traditional uses and for scientific research.

The region's coral reefs and atolls support more than 7,000 species, including endangered Hawaiian monk seals. One quarter of the species are found nowhere else.

Despite their remoteness from population centers, the islands show signs of ecological stress. Among the first to voice concern was Louis "Uncle Buzzy" Agard, a respected elder who first fished the area in the 1940s. He soon noticed fish disappearing. "I realized I was helping destroy this unique place," he says. In recent years, research vessels have added to the problem by dumping raw sewage in the area.

Fried teamed up with Agard and others to develop a network of Native Hawaiians, fishermen, divers, scientists and local activists to promote protections. Together, we helped place the issue on the agenda in Washington.

Our coalition mobilized citizens to speak at more than 100 public meetings and to send more than 100,000 messages to officials. In 2000, we convinced President Clinton to designate the area as an ecosystem reserve. We also persuaded Governor Linda Lingle to withdraw her initial opposition and champion protections such as a ban on fishing in adjacent state waters.

Bush's action builds on those earlier efforts. "The 'elder' islands are a nursery for the entire region," says Agard. "Without Environmental Defense, these protections never would have happened." Our work, however, isn't over. Monitoring will be crucial to ensure development and enforcement of strong regulations.

Still, it's a time to celebrate. Adds Agard: "This gives me hope that my grandchildren will actually see the marine life I saw, without having to read about it in a book."

*"Without Environmental Defense, these protections never would have happened."*

### **LOUIS "UNCLE BUZZY" AGARD**

Native Hawaiian elder, former head of the Ahi Longlining Association

# MORE OF THIS YEAR'S RESULTS

## “Catch shares” offer hope for Gulf fisheries

Fishery managers overwhelmingly approved a plan we helped develop to revive red snapper, the Gulf of Mexico's most important reef fish.

Our plan allows profitable, year-round fishing while strictly limiting the total catch, assigning each fisherman a percentage share. It replaces old rules that restricted fishing to certain days without regard to weather, demand or fish prices. Such derbies not only endanger fishermen, but also force crews to throw back tons of dead or dying fish. “We are hoping to get our lives back and put an end to the race for fish,” says fisherman Donny Waters.

The system also gives fishermen a financial stake in conserving. “When stocks recover and the catch limits increase, so does the value of each share,” explains our fisheries biologist Pam Baker.

We now are promoting similar market reforms for the Gulf grouper and shrimp fisheries, and pressing Congress to speed the implementation of catch-share programs nationwide. “Thriving fisheries depend on a healthy ocean, and with a little innovation we can have both,” says Baker.



Fisheries biologist **Pam Baker**, Texas regional fisheries coordinator **Richie Ahuja**, marine ecologist **Dr. Rod Fujita**, Oceans program director **David Festa** and Pacific Coast Oceans program director **Johanna Thomas** are working to restore marine habitat and to create new markets for sustainable seafood.

# FROM OUR OCEANS TEAM



## New life for coastal fishing communities

In California, we helped design and win approval for a no-trawl zone in Morro Bay encompassing nearly 6,000 square miles of prime marine habitat. We then partnered with The Nature Conservancy to purchase trawl vessels and their fishing permits. Under our program, permits will be leased back to fishermen who commit to sustainable fishing practices such as switching to hooks that reduce harm to bottom habitat. The initiative will help rebuild fisheries and revive California's beleaguered fishing communities.



## Expanded protections for Florida beaches and coral reefs

Linking science with grassroots outreach, we halted several destructive beach dredging projects in Florida and helped expand a no-fishing zone around the spectacular Dry Tortugas coral reef system in the Florida Keys. Thanks to our efforts, the area is now the largest fully protected shallow coral reef reserve on the East coast, sustaining fisheries up to 1,000 miles away along the Eastern seaboard.



## Setting standards for farmed seafood

Environmental Defense has partnered with leading seafood buyers, including Wegmans Food Markets, Bon Appetit and Compass Group, to develop purchasing standards for farm-raised seafood such as salmon and shrimp. The standards would limit contaminants in the seafood, reduce water pollution and protect ocean habitat. Our scientist Dr. Becky Goldberg also serves as the only environmental representative on the federal task force drafting organic standards for farmed seafood.



## Restoring Long Island Sound

Nitrogen pollution in Long Island Sound has triggered algae blooms, created "dead zones" and contributed to the steep decline of the Long Island lobster industry. Roughly half the nitrogen comes from New York City sewage treatment plants. This year we helped bring about an agreement to cut 60% of the pollution from four of the largest plants, the strongest nitrogen removal plan in any U.S. city.

*"Protecting critical areas, giving fishermen a financial stake in the future health of fisheries and building new markets for sustainable seafood will bring the resilient oceans back to abundant life."*

**DR. ROD FUJITA**  
Marine ecologist

# WHO'S WHO ON THE PROGRAM STAFF

The work of **Environmental Defense** is carried out today by nearly 300 dedicated staff, many of whom are profiled on these pages.

## CALIFORNIA

Policy analyst **Rafael Aguilera** (M.P.P.A., California State Univ. at Sacramento)

Geographic information system specialist **Peter Black** (B.A., Univ. of Oregon)

Fisheries specialist **Kate Bonzon** (M.S., Stanford Univ.)

California global warming project director **Karen Douglas** (J.D., Stanford Law School)

Research assistant **James Fordyce** (B.A., Harvard Univ.)

Marine ecologist **Rodney M. Fujita** (Ph.D., Boston Univ., Marine Biological Laboratory)

Regional director **Thomas J. Graff** (LL.B., Harvard Univ.)

High Meadows scientist **Jeffery Greenblatt** (Ph.D., Univ. of Calif., Berkeley)

Water resource analyst **Ann Hayden** (M.E.S.M., Univ. of Calif., Santa Barbara)

Center for Conservation Incentives manager **Eric Holst** (M.E.M., Duke Univ.)

Policy analyst **Laurie Kaye** (M.A., Univ. of Calif., Los Angeles)

Attorney **Jerilyn Lopez Mendoza** (J.D., Univ. of Calif., Los Angeles)

Air quality project manager **Kathryn Phillips** (M.P.P., Univ. of Calif., Los Angeles)

Water analyst **Spreck Rosekrans** (B.A., Univ. of Calif., San Diego)

Attorney **Janea Scott** (J.D., Univ. of Colorado)

Corporate Partnership managing director **Elizabeth Sturcken** (M.P.P., Harvard Univ.)

Pacific Coast Oceans program director **Johanna Thomas** (M.S., Univ. of Calif., Berkeley)

Climate campaign coordinator **Virgil R. Welch** (J.D., Univ. of Texas)

## CONNECTICUT

Marine conservation advocate **Sally McGee** (M.M.A., Univ. of Rhode Island)

## FLORIDA

Marine scientist **Ken Lindeman** (Ph.D., Univ. of Miami)

## HAWAII

Scientist **Stephanie Fried** (Ph.D., Cornell Univ.)

## MAINE

Climate change policy specialist **Melissa Carey** (M.P.Aff., Univ. of Texas)

## MASSACHUSETTS

Program coordinator **Greg Andeck** (M.E.M., Duke Univ.)

High Meadows fellow **Sarah Barbrow** (B.A., Princeton Univ.)

Outreach manager **Kyle Cahill** (M.B.A., Univ. of Mass.)

Program associate **Tracy Godfrey** (B.S., Johnson State College)

Project manager **Bruce Hammond** (M.F.S., Yale Univ.)

Project manager **Jason Mathers** (M.S., Suffolk Univ.)

Project manager **Victoria Mills** (M.A., Johns Hopkins Univ.)

Corporate Partnership director and regional director **Gwen Ruta** (M.P.A., Harvard Univ.)

## MICHIGAN

Senior fellow **John DeCicco** (Ph.D., Princeton Univ.)



California's Trinity River flowed with more water this year than it has seen in 40 years thanks to a restoration plan we helped develop.

## NEW YORK

Vice president for programs **Marcia Aronoff** (B.A., Oberlin College)

Project manager **Millie Chu Baird** (M.S., Stanford Univ.)

Business Partnerships managing director **Mark Brownstein** (J.D., Univ. of Michigan)

Chief scientist **William Chameides** (Ph.D., Yale Univ.)

Policy analyst **Ramon J. Cruz** (M.P.A., U.R.P., Princeton Univ.)

Living Cities program director and regional director **Andrew Darrell** (J.D., Univ. of Virginia)

Program financial analyst **Roberta Desmond** (B.A., Plymouth State College)



Business Partnerships managing director **Mark Brownstein**, Corporate Partnership director **Gwen Ruta** and Corporate Partnership managing director **Elizabeth Sturcken**



Biologist **Dr. Douglas Rader**, anthropologist **Dr. Stephan Schwartzman**, biologist **Dr. Rebecca Goldberg** and chief scientist **Dr. William Chameides**

Chief economist **Daniel J. Dudek** (Ph.D., Univ. of Calif., Davis)

Scientist **Timothy Fitzgerald** (M.S., Univ. of Hawai'i)

Biologist **Rebecca J. Goldberg** (Ph.D., Univ. of Minnesota)

Climate and air program director **Peter Goldmark** (B.A., Harvard College)

Analyst **David Greenblatt** (M.C.P., Mass. Institute of Technology)

Program associate **Linda Jantzen** (Baruch College)

Dennis Puleston fellow **Jacob Kritzer** (Ph.D., James Cook Univ., Australia)

High Meadows fellow **Kyle Meng** (B.S.E., Princeton Univ.)

High Meadows scientist **Lisa Moore** (Ph.D., Stanford Univ.)

Clean air project manager **Mel Peffers** (M.S., Harvard School of Public Health)

High Meadows fellow **Carol Rosenfeld** (B.S.E., Princeton Univ.)

Scientist **David Rubin** (Ph.D., Univ. of Michigan)

General counsel **James T. B. Tripp** (LL.B., Yale Univ.)

Scientist **James S. Wang** (Ph.D., Harvard Univ.)

## NORTH CAROLINA

Program associate **Denise Choy** (M.E.M., Duke Univ.)

Program associate **Kristen Coracini** (B.S., N.C. State Univ.)

Marine ecologist **Michelle Duval** (Ph.D., Duke Univ.)

Forestry specialist **William McDow** (M.F., M.E.M., Duke Univ.)

Policy analyst **David McNaught** (Ph.D., Univ. of Florida)

Regional director **Jane Preyer** (M.P.A., Univ. of North Carolina)

Biologist **Douglas N. Rader** (Ph.D., Univ. of North Carolina)

Aquatic ecologist **Joseph Rudek** (Ph.D., Univ. of North Carolina)

Air policy analyst **Michael J. Shore** (M.C.E., N.C. State Univ.)

Attorney **Tatjana Vujic** (J.D., George Washington Univ.)

Southeast Oceans program director **Daniel J. Whittle** (J.D., Univ. of Colorado)

Program management and regional directors

## OREGON

Economist **W. R. Zach Willey** (Ph.D., Univ. of Calif., Berkeley)

## ROCKY MOUNTAIN

Regional director **Daniel Grossman** (J.D., Univ. of Denver)

Outreach coordinator **Ann Karpinski** (B.S., Univ. of Minnesota)

Atmospheric scientist **Jana Milford** (Ph.D., Carnegie Mellon Univ.; J.D., Univ. of Colorado Law School)

Attorney **Vickie Patton** (J.D., New York Univ.)

Scientist **Jennifer Pitt** (M.E.S., Yale Univ.)

Lokey fellow **Martha Roberts** (M.S., Stanford Univ.)

Wildlife ecologist **Theodore P. Toombs** (M.S., Colorado State Univ.)

## TEXAS

Regional fisheries project coordinator **Richie Ahuja** (M.I.M., Garvin School of Int. Management)

Scientist **Ramón Alvarez** (Ph.D., Univ. of Calif., Berkeley)

Energy policy specialist **A. Scott Anderson** (J.D., Univ. of Texas)

Gulf Coast Oceans program director **Pamela Baker** (M.A., Univ. of Rhode Island)

Regional fisheries project coordinator **Jeffrey Barger** (B.S., Univ. of Central Arkansas)

Water and wildlife analyst **Karen Chapman** (B.S., Miami Univ.)

Oceans program coordinator **Tammi Douglas** (Park Univ.)

Attorney **Amy Hardberger** (J.D., Texas Tech School of Law)

Project coordinator **Alicia Isaac-Cura** (M.B.A., San Francisco State Univ.)

Land, Water and Wildlife co-director **Mary E. Kelly** (J.D., Univ. of Texas)

Scientist **Linda Laack** (M.S., Texas A&M Univ., Kingsville)

Wildlife field associate **Michele Amador Lopez** (B.S., St. Edward's Univ.)

Economist **Vishwanie Maharaj** (Ph.D., Univ. of Rhode Island)

Water analyst **Laura Marbury** (M.A.G., Southwest Texas State Univ.)

Regional director **Jim Marston** (J.D., New York Univ.)

Research and outreach associate **C. Ryan Ono** (B.S., Univ. of Calif., Berkeley)

Research and outreach specialist **Mary Sanger** (M.S.S.W., Univ. of Texas)

Outreach coordinator **Betin Santos** (M.P.A., Texas A&M Univ.)

Program financial analyst **Kim M. Sharp** (Univ. of Maryland)

Program associate **Elaine Smith** (B.S., Texas State Univ.)

Scientist **David Wolfe** (M.S., Univ. of Georgia)

## WASHINGTON, DC

Economic analyst **Carol Andress** (B.A., Duke Univ.)

Health program director **John Balbus** (M.D., Univ. of Pennsylvania; M.P.H., Johns Hopkins Univ.)

Attorney **Michael J. Bean** (J.D., Yale Univ.)

Land, Water and Wildlife co-director **Robert Bonnie** (M.E.M., M.F., Duke Univ.)

High Meadows fellow **Caroline Cheng** (A.B., Princeton Univ.)

National climate campaign director **Steve Cochran** (B.S., Louisiana State Univ.)

Oceans Enterprise managing director **Boris Cooper** (M.B.A., Fordham Univ.)

Biochemist **Richard A. Denison** (Ph.D., Yale Univ.)



*We and our allies have initiated an unprecedented effort to restore longleaf pine forests that serve as vital habitat for endangered species in nine Southern states.*

Farm program specialist **Scott Faber** (J.D., Georgetown Law School)

▫ Oceans program director **David Festa** (M.P.P., Harvard Univ.)

▫ Attorney **Karen Florini** (J.D., Harvard Univ.)

Scientist and agriculture policy analyst **Susan Friedman** (M.S., Johns Hopkins Univ.)

Automotive analyst **Freda Fung** (M.S., Lund Univ., Sweden)

Social scientist **Aaron Goldzimer** (M.P.P., Harvard Univ.)

Economist **Alexander Golub** (Ph.D., Russian Academy of Sciences)

Policy analyst **Sara Hessenflow Harper** (M.A., Kansas State Univ.)

Policy analyst **Paul Harrison** (J.D., Fordham Univ.)

Economist **Eric Haxthausen** (M.S., Univ. of Wisconsin-Madison; M.P.P., Harvard Univ.)

Attorney **Sara Hopper** (J.D., Univ. of Virginia)

International economist **Korinna Horta** (Ph.D., Univ. of London)

Project coordinator **Holly Lambert** (SUNY at Albany)

Ocean policy specialist **Amanda Leland** (M.S., Univ. of Maine)

Special projects director **Mark MacLeod** (M.S., M.A., Ohio State Univ.)

Ecologist **Tim Male** (Ph.D., Univ. of Hawai'i)

Program associate **Catherine Malina** (A.B., Princeton Univ.)

Policy analyst **Dominic Marcellino** (B.A., Univ. of Dayton)

Endangered species specialist **Margaret McMillan** (B.A., Indiana Univ.)

Policy analyst **Dean M. Menke** (M.S., Purdue Univ.)

Policy manager **John Mimikakis** (Ph.D., Univ. of Wisconsin)

Project manager **Thomas Murray** (B.A., Trinity College)

International counsel **Annie Petsonk** (J.D., Harvard Law School)

National field director **Bill Petty** (M.B.A., Univ. of North Carolina)

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▫ Anthropologist **Stephan Schwartzman** (Ph.D., Univ. of Chicago)

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Policy analyst **Gustavo Silva-Chávez** (M.P.P., Maryland School of Public Policy)

▫ Action Fund deputy director and Strategic Partners program director **Wendy Sommer** (M.Ed., Stanford Univ.)

Climate deputy campaign manager **Christine M. Stackpole** (M.M.P., Harvard Univ.)

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Legislative director **Elizabeth Thompson** (LL.M., New York Univ.)

Regional field coordinator **Katina Tsongas** (M.P.P., Harvard Univ.)

Program associate **Ken Walsh** (B.S., Univ. of Maryland)

Project manager **Scott Walsh** (M.B.A., Univ. of Virginia)

Program financial analyst **Jeffrey Zanghi** (B.B.A., St. Bonaventure)

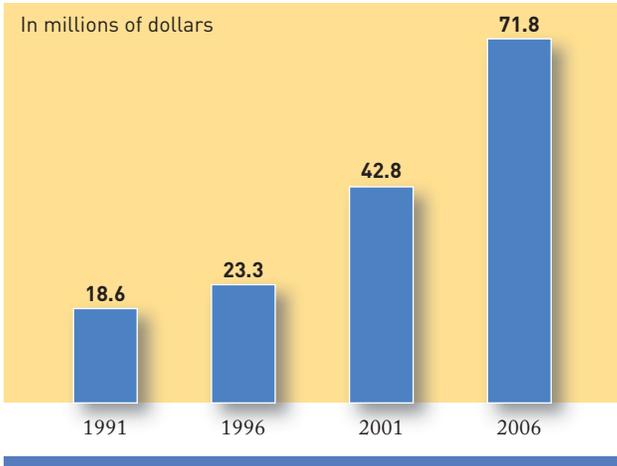


Economists **Dr. Vishwanie Maharaj** and **Dr. Zach Willey**, Oceans program director **David Festa**, chief economist **Dr. Daniel Dudek** and Climate program director **Peter Goldmark**

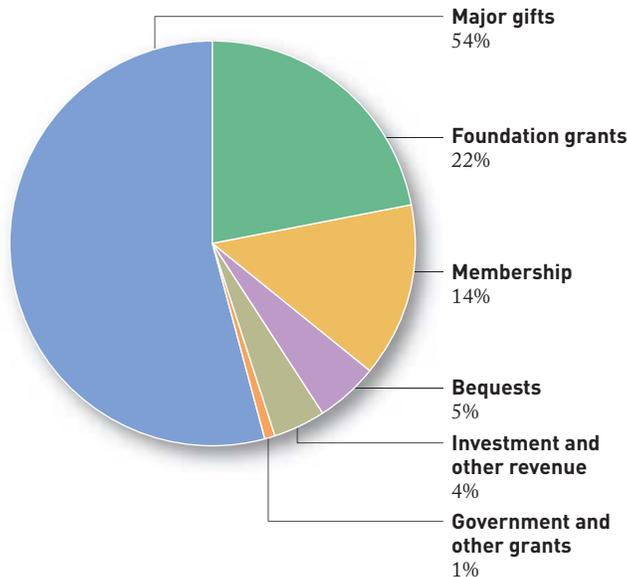
▫ Program management and regional directors

# FINANCIAL COMMENTARY

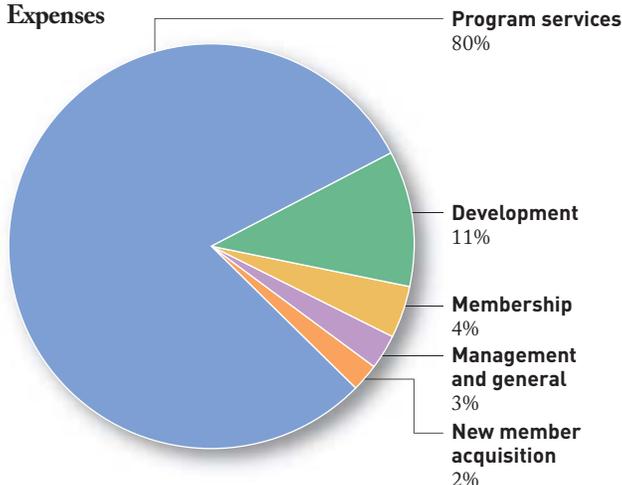
## Operating support and revenue raised for current and future years



## Sources of operating support and revenue



## Expenses



Environmental Defense continued to maintain a strong financial position in the fiscal year ended September 30, 2006, thanks to the remarkable generosity and support of our more than 500,000 members, trustees, major donors, foundations and other contributors.

Total operating support and revenue contributed during fiscal year 2006 for use in that year and in future years reached a record level of \$71.8 million. Gifts received from individual donors increased this year to \$38.6 million, representing 54% of the total. Foundation grants totaled \$16.0 million, or 22% of the total. Membership contributions totaled \$10.1 million, or 14%. Bequests of \$3.4 million accounted for 5% of the total, government and other grants provided 1% and investment income and other revenue accounted for the remaining 4%.

Multiyear gifts and pledges play an important role in enabling us to expand our work. Some \$30.0 million in fiscal 2006 gifts, primarily from major donors, was designated for use in future years, while past multiyear gifts continued to provide support for our work in the current year.

Expenditures on program and supporting services totaled \$60.2 million in fiscal 2006. Program services expenditures of \$48.0 million accounted for 80% of total operating expenses, with almost all devoted to our priority areas—global warming; health; land, water and wildlife; and oceans. Of the total, 3% was for management and administration, 15% went toward the fundraising needed to generate current income and support for future years, and 2% was spent on the acquisition of new members.

Total net assets grew to \$85.6 million during the year. Of this amount, \$3.7 million is permanently restricted, \$46.3 is restricted to future years' program activities and \$35.6 million is designated for long-term investment.

## STATEMENT OF ACTIVITIES

Year ended September 30

	Unrestricted	Restricted	Total 2005	Total 2004
<b>Operating support and revenue</b>				
Support:				
Membership and contributions	\$13,069,525	\$24,723,201	\$37,792,726	\$29,513,490
Foundation grants	-	25,462,353	25,462,353	16,165,328
Government and other grants	-	1,021,698	1,021,698	411,667
Bequests	2,474,113	-	2,474,113	2,228,836
Total support	15,543,638	51,207,252	66,750,890	48,319,321
Revenue:				
Interest and allocated investment income	1,035,043	238,007	1,273,050	1,582,060
Fees, royalties and other income	583,033	-	583,033	549,109
Total revenue	1,618,076	238,007	1,856,083	2,131,169
Net assets released from restrictions	37,035,126	(37,035,126)		
Total support and revenue	54,196,840	14,410,133	68,606,973	50,450,490
<b>Expenses</b>				
Program services:				
Climate	14,093,594	-	14,093,594	12,204,361
Ecosystems	12,355,400	-	12,355,400	10,900,587
Health	5,290,331	-	5,290,331	5,649,265
Oceans	6,431,728	-	6,431,728	5,881,035
Education	2,834,254	-	2,834,254	2,821,601
Membership activities	448,339	-	448,339	488,049
Total program services	41,453,646	-	41,453,646	37,944,898
Supporting services:				
Management and general	2,405,402	-	2,405,402	2,573,014
New member acquisition	1,309,934	-	1,309,934	776,297
Fundraising:				
Membership	1,670,753	-	1,670,753	1,539,209
Development	5,180,864	-	5,180,864	4,853,977
Total supporting services	10,566,953	-	10,566,953	9,742,497
Total operating expenses	52,020,599	-	52,020,599	47,687,395
<b>Change in net assets from current operations</b>	2,176,241	-	2,176,241	1,079,049
Transfer to long-term investment	(2,117,971)	-	(2,117,971)	(1,078,836)
Change in restricted net assets	-	14,410,133	14,410,133	1,684,046
Change in net assets from non-operating activities:				
Transfer from operations	2,117,971	-	2,117,971	1,078,836
Bequests, contributions and other income	1,273,642	5,000	1,278,642	985,645
Investment income, net of allocation to operations	693,531	94,003	787,534	1,303,980
Total change in net assets	4,143,414	14,509,136	18,652,550	5,052,720
<b>Net assets, beginning of year</b>	26,015,760	28,196,926	54,212,686	49,159,966
<b>Net assets, end of year</b>	\$30,159,174	\$42,706,062	\$72,865,236	\$54,212,686

This statement represents the consolidated activities of Environmental Defense and Environmental Defense Action Fund. Copies of the complete, audited financial statements from which this information is reported are available upon request.

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Expedition leader and  
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Foundation

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and Evolutionary Biology;  
Director of the Princeton  
Environmental Institute,  
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Metropolis 2020;  
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**Sam R. Walton**

President,  
Restoration Works LLC

**John H.T. Wilson**

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Morgan Stanley

**Paul Junger Witt**

Partner,  
Witt Thomas Productions

**Joanne Woodward**

Artistic Director,  
Westport Country Playhouse

**Charles F. Wurster, Ph.D.** <sup>n</sup>

Professor Emeritus of  
Environmental Sciences,  
Marine Sciences Research  
Center, State University of  
New York at Stony Brook

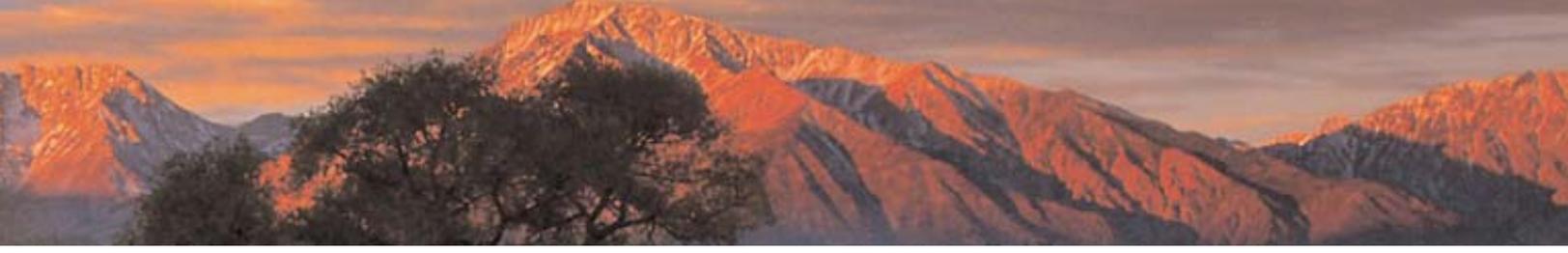
**Joy B. Zedler, Ph.D.**

Aldo Leopold Chair in  
Restoration Ecology,  
University of Wisconsin at  
Madison

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Laurie Burt  
Brian Conboy  
Thomas F. Darden  
Kirsten J. Feldman  
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Charles J. Hamilton, Jr.  
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finding the ways that work