
STATEMENT OF ADDITIONAL INFORMATION

November 28, 2009

GREEN CENTURY FUNDS

114 State Street, Suite 200, Boston, Massachusetts 02109

Green Century Funds (the "Trust" or the "Funds" or "Green Century") offers two separate series (each, a "Fund"), each with its own investment objective. Each Fund pursues its respective investment objective through investments consistent with the Trust's commitment to environmental responsibility. The **Green Century Balanced Fund** (the "Balanced Fund") seeks capital growth and income from a diversified portfolio of stocks and bonds. The **Green Century Equity Fund** (the "Equity Fund") seeks to provide long-term total return which matches the performance of the FTSE KLD 400 Social Index (formerly the "Domini 400 SocialSM Index") (the "KLD400 Index" or the "Index"), an index made up of the stocks of 400 companies selected based on social and environmental criteria. There can be no assurance that the investment objective of either Fund will be achieved.

This Statement of Additional Information ("SAI") is not a prospectus and should be read in conjunction with the Trust's Prospectus dated November 28, 2009, a copy of which may be obtained from the Trust at the address noted above or by telephoning 1-800-93-GREEN. Terms used but not defined herein, but which are defined in the Prospectus, are used as defined in the Prospectus.

The following are incorporated by reference to the Annual Report dated July 31, 2009, of Green Century Funds (File No. 811-06351) as filed with the Securities and Exchange Commission ("SEC") on October 6, 2009.

1. Green Century Balanced Fund Portfolio of Investments
2. Green Century Balanced Fund Statement of Assets and Liabilities
3. Green Century Balanced Fund Statement of Operations
4. Green Century Balanced Fund Statements of Changes in Net Assets
5. Green Century Balanced Fund Financial Highlights
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Shareholders may obtain a copy of the Annual Report, without charge, by calling 1-800-93-GREEN or at www.greencentury.com.

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THE GREEN CENTURY FUNDS

The Trust is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Trust was organized as a business trust under the laws of the Commonwealth of Massachusetts on July 1, 1991.

INVESTMENT OBJECTIVES, RISKS AND POLICIES

The following supplements the information contained in the Prospectus concerning the investment objective, policies and techniques of the Funds.

BALANCED FUND

Repurchase Agreements—Repurchase agreements may be entered into for the Fund only with selected banks or broker-dealers. A repurchase agreement is an agreement in which the seller of a security agrees to repurchase from the Fund the security sold to the Fund at a mutually agreed upon time and price. As such, repurchase agreements are viewed as the lending of money to the seller of the security. The resale price normally is in excess of the purchase price, reflecting an agreed upon interest rate. The rate is effective for the period of time assets of the Fund are invested in the agreement and is not related to the coupon rate on the underlying security. The period of these repurchase agreements will usually be short, from overnight to one week. The securities that are subject to repurchase agreements, however, may have maturity dates in excess of one year from the effective date of the repurchase agreement. The Fund will always receive as collateral securities whose market value (which is marked to the market daily), including accrued interest, will be at least equal to 100% of the dollar amount invested on behalf of the Fund in each agreement along with accrued interest. Payment for such securities will be made by the Fund only upon physical delivery or evidence of book entry transfer to the account of the Trust's custodian. If the seller under a repurchase agreement becomes insolvent, the Fund's right to dispose of the securities may be restricted. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the security before repurchase of the security under a repurchase agreement, the Fund may encounter delay and incur costs before being able to sell the security. If the seller of the security defaults, the Fund might incur a loss if the value of the collateral securing the repurchase agreement declines and might incur disposition costs in connection with liquidating the collateral. In addition, if bankruptcy proceedings are commenced with respect to the seller of the security, realization upon the collateral on behalf of the Fund may be delayed or limited in certain circumstances. The seller of the security may also fail to repurchase the obligations. Repurchase agreements are considered collateralized loans under the 1940 Act.

A repurchase agreement with more than seven days to maturity may not be entered into for the Fund if, as a result, more than 15% of the market value of the Fund's net assets would be invested in such repurchase agreements together with any illiquid securities that the Fund may hold. The Balanced Fund has no current intention to invest more than 5% of its net assets in repurchase agreements.

Certificates of Deposit—The Fund may invest in certificates of deposit of large domestic or foreign banks (i.e., banks which at the time of their most recent annual financial statements show total assets in excess of one billion U.S. dollars or the equivalent thereof) and certificates of deposit of smaller banks as described

below. Although the Trust recognizes that the size of a bank is important, this fact alone is not necessarily indicative of its creditworthiness. Investment in certificates of deposit issued by foreign banks or foreign branches of domestic banks involves investment risks that are different in some respects from those associated with investment in certificates of deposit issued by domestic banks, including the possible imposition of withholding taxes on interest income, the possible adoption of foreign governmental restrictions which might adversely affect the payment of principal and interest on such certificates of deposit, or other adverse political or economic developments. In addition, it might be more difficult to obtain and enforce a judgment against a foreign bank or a foreign branch of a domestic bank. (See "Foreign Securities".)

The Fund may also invest in certificates of deposit issued by banks, credit unions, and savings and loan institutions which had at the time of their most recent annual financial statements total assets of less than one billion dollars, provided that (i) the principal amounts of such certificates of deposit are insured by an agency of the U.S. Government, (ii) at no time will the Fund hold more than \$250,000 principal amount of certificates of deposit of any one such bank, and (iii) at the time of acquisition, no more than 10% of the Fund's assets (taken at current value) are invested in certificates of deposit of such banks having total assets not in excess of one billion dollars.

When-Issued Securities— The Fund may purchase securities offered on a "when-issued" or "forward delivery" basis. When so offered, the price, which is generally expressed in yield terms, is fixed at the time the commitment to purchase is made, but delivery and payment for the when-issued or forward delivery securities take place at a later date. During the period between purchase and settlement, the purchaser makes no payment to the issuer and no interest on the when-issued or forward delivery security accrues to the purchaser. While when-issued or forward delivery securities may be sold prior to the settlement date, it is intended that the Fund will purchase such securities with the purpose of actually acquiring them unless a sale appears desirable for investment reasons. At the time the Fund makes the commitment to purchase a security on a when-issued or forward delivery basis, it will record the transaction and reflect the value of the security in determining its net asset value. The market value of when-issued or forward delivery securities may be more or less than the purchase price. The Trust does not believe that the Fund's net asset value or income will be adversely affected by its purchase of securities on a when-issued or forward delivery basis. The Fund will establish a segregated account in which it will maintain cash, U.S. Government securities and high-grade debt obligations equal in value to commitments for when-issued or forward delivery securities.

U.S. Government Agency Obligations—The Fund may invest in obligations issued or guaranteed by U.S. Government agencies, authorities or instrumentalities, some of which are backed by the full faith and credit of the U.S. Government (i.e., direct pass-through certificates of the Government National Mortgage Association ("GNMA")), some of which are supported by the right of the issuer to borrow from the U.S. Government (i.e., obligations of the Federal Home Loan Banks) and some of which are backed only by the credit of the issuer itself.

Mortgage-Backed Securities--The Fund may invest in mortgage pass-through certificates and multiple-class pass-through securities, such as real estate mortgage investment conduits ("REMIC") pass-through certificates, collateralized mortgage obligations ("CMOs") and stripped mortgage-backed securities ("SMBS"), and other types of mortgage-backed securities that may be available in the future. A mortgage-backed security is an obligation of the issuer backed by a mortgage or pool of mortgages or a direct interest in an underlying pool of mortgages. Some mortgage-backed securities, such as CMOs, make

payments of both principal and interest at a variety of intervals; others make semiannual interest payments at a predetermined rate and repay principal at maturity (like a typical bond). Mortgage-backed securities are based on different types of mortgages including those on commercial real estate or residential properties. Mortgage-backed securities often have stated maturities of up to thirty years when they are issued, depending upon the length of the mortgages underlying the securities. In practice, however, unscheduled or early payments of principal and interest on the underlying mortgages may make the securities' effective maturity shorter than this, and the prevailing interest rates may be higher or lower than the current yield of the Fund's portfolio at the time the Fund receives the payments for reinvestment. Mortgage-backed securities may have less potential for capital appreciation than comparable fixed income securities, due to the likelihood of increased prepayments of mortgages as interest rates decline. If the Fund buys mortgage-backed securities at a premium, mortgage foreclosures and prepayments of principal by mortgagors (which may be made at any time without penalty) may result in some loss of the Fund's principal investment to the extent of the premium paid.

The value of mortgage-backed securities may also change due to shifts in the market's perception of issuers. In addition, regulatory or tax changes may adversely affect the mortgage securities markets as a whole. Non-governmental mortgage-backed securities may offer higher yields than those issued by government entities, but also may be subject to greater price changes than governmental issues.

Through its investments in mortgage-backed securities, including those that are issued by private issuers, the Fund may have some exposure to subprime loans as well as to the mortgage and credit markets generally. Private issuers include commercial banks, savings associations, mortgage companies, investment banking firms, finance companies and special purpose finance entities (called special purpose vehicles or "SPVs") and other entities that acquire and package mortgage loans for resale as mortgage-backed securities.

Unlike mortgage-backed securities issued or guaranteed by the U. S. government or one of its sponsored entities, mortgage-backed securities issued by private issuers do not have a government or government-sponsored entity guarantee, but may have credit enhancement provided by external entities such as banks or financial institutions or achieved through the structuring of the transaction itself. Examples of such credit support arising out of the structure of the transaction include the issue of senior and subordinated securities (e.g., the issuance of securities by an SPV in multiple classes or "tranches", with one or more classes being senior to other subordinated classes as to the payment of principal and interest, with the result that defaults on the underlying mortgage loans are borne first by the holders of the subordinated class); creation of "reserve funds" (in which case cash or investments, sometimes funded from a portion of the payments on the underlying mortgage loans, are held in reserve against future losses); and "overcollateralization" (in which case the scheduled payments on, or the principal amount of, the underlying mortgage loans exceeds that required to make payment of the securities and pay any servicing or other fees). However, there can be no guarantee that credit enhancements, if any, will be sufficient to prevent losses in the event of defaults on the underlying mortgage loans.

In addition, mortgage-backed securities that are issued by private issuers are not subject to the underwriting requirements for the underlying mortgages that are applicable to those mortgage-backed securities that have a government or government-sponsored entity guarantee. As a result, the mortgage loans underlying private mortgage-backed securities may, and frequently do, have less favorable collateral,

credit risk or other underwriting characteristics than government or government-sponsored mortgage-backed securities and have wider variances in a number of terms including interest rate, term, size, purpose and borrower characteristics. Privately issued pools more frequently include second mortgages, high loan-to-value mortgages and manufactured housing loans. The coupon rates and maturities of the underlying mortgage loans in a private mortgage-backed securities pool may vary to a greater extent than those included in a government guaranteed pool, and the pool may include subprime mortgage loans. Subprime loans refer to loans made to borrowers with weakened credit histories or with a lower capacity to make timely payments on their loans. For these reasons, the loans underlying these securities have had in many cases higher default rates than those loans that meet government underwriting requirements.

The risk of non-payment is greater for mortgage-backed securities that are backed by mortgage pools that contain subprime loans, but a level of risk exists for all loans. Market factors adversely affecting mortgage loan repayments may include a general economic turndown, high unemployment, a general slowdown in the real estate market, a drop in the market prices of real estate, or an increase in interest rates resulting in higher mortgage payments by holders of adjustable rate mortgages.

If the Fund purchases subordinated mortgage-backed securities, the subordinated mortgage-backed securities may serve as a credit support for the senior securities purchased by other investors. In addition, the payments of principal and interest on these subordinated securities generally will be made only after payments are made to the holders of securities senior to the Fund's securities. Therefore, if there are defaults on the underlying mortgage loans, the Fund will be less likely to receive payments of principal and interest, and will be more likely to suffer a loss.

Privately issued mortgage-backed securities are not traded on an exchange and there may be a limited market for the securities, especially when there is a perceived weakness in the mortgage and real estate market sectors. Without an active trading market, mortgage-backed securities held in the Fund's portfolio may be particularly difficult to value because of the complexities involved in assessing the value of the underlying mortgage loans.

Guaranteed Mortgage Pass-Through Securities--Guaranteed mortgage pass-through securities represent participation interests in pools of residential mortgage loans and are issued by U.S. governmental or private lenders and guaranteed by the U.S. government or one of its agencies or instrumentalities, including but not limited to GNMA, the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA certificates are guaranteed by the full faith and credit of the U.S. government for timely payment of principal and interest on the certificates. FNMA certificates are guaranteed by FNMA, a federally chartered corporation which is subject to general regulation by the Secretary of Housing and Urban Development, for full and timely payment of principal and interest on the certificates. FHLMC certificates are guaranteed by FHLMC, a corporate instrumentality of the U.S. government, for timely payment of interest and the ultimate collection of all principal of the related mortgage loans. Although the U.S. government has provided financial support to FNMA and FHLMC in the past, there can be no assurance that it will support these or other government-sponsored enterprises in the future.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional

residential mortgage loans. Such issuers may, in addition, be the originators and/or servicers of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Because there are no direct or indirect government or agency guarantees of payments in pools created by such non-governmental issuers, they generally offer a higher rate of interest than government and government-related pools. Timely payment of interest and principal of these pools may be supported by insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit. The insurance and guarantees are issued by governmental entities, private insurers and the mortgage poolers. There can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements.

Mortgage-related securities without insurance or guarantees may be purchased if the subadviser determines that the securities meet the Fund's quality standards. Mortgage-related securities issued by certain private organizations may not be readily marketable.

Multiple-Class Pass-Through Securities and Collateralized Mortgage Obligations ("CMOs")--CMOs and REMIC pass-through or participation certificates may be issued by, among others, U.S. government agencies and instrumentalities as well as private issuers. REMICs are CMO vehicles that qualify for special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code") and invest in mortgages principally secured by interests in real property and other investments permitted by the Code. CMOs and REMIC certificates are issued in multiple classes and the principal of and interest on the mortgage assets may be allocated among the several classes of CMOs or REMIC certificates in various ways. Each class of CMO or REMIC certificate, often referred to as a "tranche," is issued at a specific adjustable or fixed interest rate and must be fully retired no later than its final distribution date. Generally, interest is paid or accrues on all classes of CMOs or REMIC certificates on a monthly basis.

Typically, CMOs are collateralized by GNMA, FNMA or FHLMC certificates but also may be collateralized by other mortgage assets such as whole loans or private mortgage pass-through securities. Debt service on CMOs is provided from payments of principal and interest on collateral of mortgaged assets and any reinvestment income thereon.

Stripped Mortgage-Backed Securities ("SMBS")--SMBS are multiple-class mortgage-backed securities that are created when a U.S. government agency or a financial institution separates the interest and principal components of a mortgage-backed security and sells them as individual securities. The Fund may invest in SMBS that are usually structured with two classes that receive different proportions of interest and principal distributions on a pool of mortgage assets. A typical SMBS will have one class receiving some of the interest and most of the principal, while the other class will receive most of the interest and the remaining principal. The holder of the "principal-only" security ("PO") receives the principal payments made by the underlying mortgage-backed security, while the holder of the "interest-only" security ("IO") receives interest payments from the same underlying security. The prices of stripped mortgage-backed securities may be particularly affected by changes in interest rates. As interest rates fall, prepayment rates tend to increase, which tends to reduce prices of IOs and increase prices of POs. Rising interest rates can have the opposite effect. The subadviser may determine that certain stripped mortgage-backed securities issued by the U.S. government, its agencies or instrumentalities are not readily marketable. If so, these securities, together with privately-issued stripped mortgage-backed securities, will be considered illiquid for purposes

of the Fund's limitation on investments in illiquid securities. The yields and market risk of interest-only and principal-only SMBS, respectively, may be more volatile than those of other fixed income securities.

The Fund also may invest in planned amortization class ("PAC") and target amortization class ("TAC") CMO bonds which involve less exposure to prepayment, extension and interest rate risks than other mortgage-backed securities, provided that prepayment rates remain within expected prepayment ranges or "collars." To the extent that the prepayment rates remain within these prepayment ranges, the residual or support tranches of PAC and TAC CMOs assume the extra prepayment, extension and interest rate risks associated with the underlying mortgage assets.

Risk Factors Associated with Mortgage-Backed Securities--Investing in mortgage-backed securities involves certain risks, including the failure of a counterparty to meet its commitments, adverse interest rate changes and the effects of prepayments on mortgage cash flows. In addition, investing in the lowest tranche of CMOs and REMIC certificates involves risks similar to those associated with investing in equity securities. However, due to adverse tax consequences under current tax laws, the Fund does not intend to acquire "residual" interests in REMICs. Further, the yield characteristics of mortgage-backed securities differ from those of traditional fixed income securities. The major differences typically include more frequent interest and principal payments (usually monthly), the adjustability of interest rates of the underlying instrument, and the possibility that prepayments of principal may be made substantially earlier than their final distribution dates.

Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. Both adjustable rate mortgage loans and fixed rate mortgage loans may be subject to a greater rate of principal prepayments in a declining interest rate environment and to a lesser rate of principal prepayments in an increasing interest rate environment. Under certain interest rate and prepayment rate scenarios, the Fund may fail to recoup fully its investment in mortgage-backed securities notwithstanding any direct or indirect governmental, agency or other guarantee. When the Fund reinvests amounts representing payments and unscheduled prepayments of principal, it may obtain a rate of interest that is lower than the rate on existing adjustable rate mortgage pass-through securities. Thus, mortgage-backed securities, and adjustable rate mortgage pass-through securities in particular, may be less effective than other types of U.S. government securities as a means of "locking in" interest rates.

Foreign Currencies—Investments in foreign securities usually will involve currencies of foreign countries. Moreover, the Fund temporarily may hold funds in bank deposits in foreign currencies during the completion of investment programs and may purchase forward foreign currency contracts, foreign currency futures contracts and options on such contracts. Because of these factors, the value of the assets of the Fund as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and the Fund may incur costs in connection with conversions between various currencies. Although the Fund values its assets daily in terms of U.S. dollars, it does not intend to convert its holdings of foreign currencies into U.S. dollars on a daily basis. It will do so from time to time, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies. Thus, a dealer may offer to sell a foreign currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire to resell that currency to

the dealer. The Fund will conduct its foreign currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward or futures contracts to purchase or sell foreign currencies.

Because the Balanced Fund may be invested in both U.S. and foreign securities markets, changes in the Fund's share price will not be perfectly correlated with movements in the U.S. markets. The Fund's share price will reflect the movements of both the different stock and bond markets in which it is invested and of the currencies in which the investments are denominated; the strength or weakness of the U.S. dollar against foreign currencies may account for part of the Fund's investment performance. U.S. and foreign securities markets do not always move in step with each other, and the total returns from different markets may vary significantly. The Fund may invest in many securities markets around the world in an attempt to take advantage of opportunities wherever they may arise.

Floating Rate Obligations—Certain of the obligations that the Fund may purchase have a floating or variable rate of interest. Such obligations bear interest at rates that are not fixed, but which vary with changes in specific market rates or indices, such as the London Interbank Offered Rate (“LIBOR”) or the Prime Rate, and at specified intervals. Certain of such obligations may carry a demand feature that would permit the holder to tender them back to the issuer at par value prior to maturity.

Because of the variable rate nature of such instruments, the yield of the Fund will decline and its shareholders will forego the opportunity for capital appreciation during periods when prevailing interest rates have declined. On the other hand, during periods where prevailing interest rates have increased, the Fund's yield will increase and its shareholders will have reduced risk to capital depreciation.

Zero Coupon Securities—The Fund may invest in zero coupon securities which pay no cash income and are sold at substantial discounts from their value at maturity, whether issued by the U.S. Treasury, by U.S. Government agencies, authorities, or instrumentalities, or by other foreign or U.S. issuers. Principal and accrued discount (representing interest accrued but not paid) are paid at maturity. When held to maturity, their entire income, which consists of accretion of discount, comes from the difference between the purchase price and their value at maturity. Zero coupon securities are subject to greater market value fluctuations from changing interest rates than debt obligations of comparable maturities that make current distributions of interest (cash). Zero coupon convertible securities offer the opportunity for capital appreciation as increases (or decreases) in market value of such securities closely follows the movements in the market value of the underlying common stock. Zero coupon convertible securities generally are expected to be less volatile than the underlying common stocks as they usually are issued with short maturities (15 years or less) and are issued with options and/or redemption features exercisable by the holder of the obligation entitling the holder to redeem the obligation and receive a defined cash payment.

Zero coupon securities include securities issued directly by the U.S. Treasury, and U.S. Treasury bonds or notes and their unmatured interest coupons and receipts for their underlying principal (“coupons”) which have been separated (or “stripped”) by their holder, typically a custodian bank or investment brokerage firm. A holder will separate the interest coupons from the underlying principal (the “corpus”) of the U.S. Treasury security. A number of securities firms and banks have stripped the interest coupons and receipts and then resold them in custodial receipt programs with a number of different names, including “Treasury Income Growth Receipts” (“TIGRS”) and Certificate of Accrual on Treasuries (“CATS”). The underlying U.S. Treasury

bonds and notes themselves are held in book-entry form at the Federal Reserve Bank or, in the case of bearer securities (i.e., unregistered securities which are owned ostensibly by the bearer or holder thereof), in trust on behalf of the owners thereof. Counsel to the underwriters of these certificates or other evidences of ownership of the U.S. Treasury securities has stated that for federal tax and securities purposes, in their opinion purchasers of such certificates, such as the Funds, most likely will be deemed the beneficial holder of the underlying U.S. Government securities. The Fund understands that the staff of the Division of Investment Management of the SEC no longer considers such privately stripped obligations to be U.S. Government securities, as defined in the 1940 Act; therefore, the Fund intends to adhere to this staff position and will not treat such privately stripped obligations to be U.S. Government securities for the purpose of determining if the Fund is "diversified," or for any other purpose, under the 1940 Act.

The Treasury has facilitated transfers of ownership of zero coupon securities by accounting separately for the beneficial ownership of particular interest coupon and corpus payments on Treasury securities through the Federal Reserve book-entry record-keeping system. The Federal Reserve program as established by the Treasury Department is known as "STRIPS" or "Separate Trading of Registered Interest and Principal of Securities." Under the STRIPS program, the Fund will be able to have its beneficial ownership of zero coupon securities recorded directly in the book-entry record-keeping system in lieu of having to hold certificates or other evidences of ownership of the underlying U.S. Treasury securities.

When U.S. Treasury obligations have been stripped of their unmatured interest coupons by the holder, the principal or corpus is sold at a deep discount because the buyer receives only the right to receive a future fixed payment on the security and does not receive any rights to periodic interest (cash) payments. Once stripped or separated, the corpus and coupons may be sold separately. Typically, the coupons are sold separately or grouped with other coupons with like maturity dates and sold in such bundled form. Purchasers of stripped obligations acquire, in effect, discount obligations that are economically identical to the zero coupon securities that the Treasury sells itself.

Equity Investments—Equity investments may or may not pay dividends and may or may not carry voting rights. Common stock occupies the most junior position in a company's capital structure. Convertible securities entitle the holder to exchange the securities for a specified number of shares of common stock, usually of the same company, at specified prices within a certain period of time and to receive interest or dividends until the holder elects to convert. The provisions of any convertible security determine its ranking in a company's capital structure. In the case of subordinated convertible debentures, the holder's claims on assets and earnings are subordinated to the claims of other creditors, and are senior to the claims of preferred and common shareholders. In the case of preferred stock and convertible preferred stock, the holder's claims on assets and earnings are subordinated to the claims of all creditors but are senior to the claims of common shareholders. By investing in convertible securities, the Fund seeks the opportunity, through the conversion feature, to participate in a portion of the capital appreciation of the common stock into which the securities are convertible, while earning higher current income than is available from common stock. The value of convertible securities may reflect changes in the value of the underlying common stock. Convertible securities entail less credit risk than the issuer's common stock because they rank senior to common stock.

Debt Securities—The Fund may invest in debt securities of foreign and U.S. issuers. The Fund's debt investments may be selected on the basis of current income as well as capital appreciation potential, by evaluating, among other things, potential yield, if any, credit quality, and the fundamental outlooks for currency

and interest rate trends in different parts of the globe, taking into account the ability to hedge a degree of currency or local bond price risk.

Risks Related to Lower-Rated Securities

The Fund's investments in high yield, high-risk debt obligations rated below investment grade, which have speculative characteristics, bear special risks. They are subject to greater credit risks, including the possibility of default or bankruptcy of the issuer. The value of such investments may also be subject to a greater degree of volatility in response to economic downturns and changes in the financial condition of the issuer. These securities generally are less liquid than higher quality securities. During periods of deteriorating economic conditions and contractions in the credit markets, the ability of such issuers to service their debt, meet projected goals or obtain additional financing may be impaired. The Fund will also take such action as it considers appropriate in the event of anticipated financial difficulties, default or bankruptcy of either the issuer of any such obligation or of the underlying source of funds for debt service. Such action may include retaining the services of various persons and firms (including affiliates of the investment adviser and investment subadviser) to evaluate or protect any real estate or other assets securing any such obligation or acquired by the Fund as a result of any such event. The Fund will incur additional expenditures in taking protective action with respect to portfolio obligations in default and assets securing such obligations.

While any investment carries some risk, certain risks associated with lower-rated securities are different from those for investment-grade securities. The risk of loss through default is greater because lower-rated securities are usually unsecured and are often subordinate to an issuer's other obligations. Additionally, the issuers of these securities frequently have high debt levels and are thus more sensitive to difficult economic conditions, individual corporate developments and rising interest rates. Consequently, the market price of these securities may be quite volatile and may result in wider fluctuations of the Fund's net asset value per share.

There remains some uncertainty about the performance level of the market for lower-rated securities under adverse market and economic environments. An economic downturn or increase in interest rate could have a negative impact on both the markets for lower-rated securities (resulting in a greater number of bond defaults) and the value of lower-rated securities held in the portfolio of investments.

The economy and interest rates can affect lower-rated securities differently than other securities. For example, the prices of lower-rated securities are more sensitive to adverse economic changes or individual corporate developments than are the prices of higher-rated investments. In addition, during an economic downturn or period in which interest rates are rising significantly, highly leveraged issuers may experience financial difficulties, which, in turn, would adversely affect their ability to service their principal and interest payment obligations, meet projected business goals and obtain additional financing.

If an issuer of a security defaults, the Fund may incur additional expenses to seek recovery. In addition, periods of economic uncertainty would likely result in increased volatility for the market prices of lower-rated securities as well as the Fund's net asset value. In general, both the prices and yields of lower-rated securities will fluctuate.

In certain circumstances it may be difficult to determine a security's fair value due to a lack of reliable

objective information. Such instances occur where there is not an established secondary market for the security or the security is lightly traded. As a result the Fund's valuation of a security and the price it is actually able to obtain when it sells the security could differ.

Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of lower-rated securities held by the Fund, especially in a thinly traded market. Illiquid or restricted securities held by the Fund may involve special registration responsibilities, liabilities and costs, and could involve other liquidity and valuation difficulties.

The ratings assigned by nationally recognized statistical rating organizations evaluate the safety of lower-rated securities' principal and interest payments, but do not address market value risk. The ratings of nationally recognized statistical rating organizations represent their opinions as to the quality of the securities that they undertake to rate and may not accurately describe the risk of the security. Because the ratings of the nationally recognized statistical rating organizations may not always reflect current conditions and events, in addition to using nationally recognized statistical rating organizations and other sources, the subadviser performs its own analysis of the issuers whose lower-rated securities the Fund holds. Because of this, the Fund's performance may depend more on the subadviser's credit analysis than is the case of mutual funds investing in higher-rated securities.

Options on Securities—For hedging purposes and to increase income, the Balanced Fund may write (sell) covered (under SEC regulations) call and put options on individual securities and on stock indices and may engage in related closing transactions. Options trading is a highly specialized activity that entails greater than ordinary investment risks. Risks associated with writing covered options include the possible inability to effect closing transactions at favorable prices; an appreciation limit on the securities set aside for settlement; losses caused by unanticipated market movements; and the Fund's subadviser's ability to predict correctly the direction of securities prices, interest rates, currency exchange rates and other economic factors.

The Fund may terminate its obligation as the writer of a call or put option by purchasing an option with the same exercise price and expiration date as the option previously written. This transaction is called a "closing purchase transaction." Where the Fund cannot effect a closing purchase transaction, it may be forced to incur brokerage commissions or dealer spreads in selling securities it receives or it may be forced to hold underlying securities until an option is exercised or expires.

The hours of trading for options on securities may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying securities markets that cannot be reflected in the option markets. It is impossible to predict the volume of trading that may exist in such options, and there can be no assurance that viable exchange markets will develop or continue.

The Fund may engage in over-the-counter options transactions with broker-dealers who make markets in these options. At present, approximately ten broker-dealers, including several of the largest primary dealers in U.S. Government securities, make these markets. The ability to terminate over-the-counter option positions is more limited than with exchange-traded option positions because the predominant market is the issuing broker rather than an exchange, and may involve the risk that broker-dealers participating in such transactions

will not fulfill their obligations. To reduce this risk, the Fund will purchase such options only from broker-dealers who are primary government securities dealers recognized by the Federal Reserve Bank of New York and who agree to (and are expected to be capable of) entering into closing transactions, although there can be no guarantee that any such option will be liquidated at a favorable price prior to expiration. The investment adviser and investment subadviser will monitor the creditworthiness of dealers with whom the Fund enters into such options transactions under the general supervision of the Trust's Trustees.

Options on Securities Indices—In addition to options on securities, the Fund may also purchase and write (sell) call and put options on securities indices. The absence of a liquid secondary market to close out options positions on securities indices is more likely to occur, although the Fund generally will only purchase or write such an option if the investment adviser and investment subadviser believe the option can be closed out. Use of options on securities indices also entails the risk that trading in such options may be interrupted if trading in certain securities included in the index is interrupted. The Fund will not purchase such options unless its investment adviser and investment subadviser believe the market is sufficiently developed such that the risk of trading in such options is no greater than the risk of trading in options on securities. Price movements in the Fund's portfolio may not correlate precisely with movements in the level of an index and, therefore, the use of options on indices cannot serve as a complete hedge. Because options on securities indices require settlement in cash, the Fund may be forced to liquidate portfolio securities to meet settlement obligations.

Options on Currencies—The Fund may write (sell) call and put options on currencies to increase gain and may purchase such options to hedge the value of securities the Fund holds or intends to buy. Purchased currency options may be denominated in a currency that is linked to the currency the Fund owns or may wish to purchase. This technique, referred to as "proxy hedging," involves the additional risk that the linkage between the currencies may be changed or eliminated.

Futures Contracts—The Fund may enter into futures contracts on securities, currencies and indices which are traded on exchanges that are licensed and regulated by the Commodity Futures Trading Commission ("CFTC") or, consistent with CFTC regulations, on foreign exchanges. The Fund will do so to hedge against anticipated changes in securities values, as a substitute for the purchase or sale of securities or currencies or to enhance return.

For bona fide hedging or other permissible risk management purposes, such as protecting the price or interest rate of a security it intends to buy, the Balanced Fund may enter into interest-rate, securities-index and currency futures contracts and may purchase and write put and call options on these futures contracts. Futures contracts obligate the Fund, at maturity, to take or make delivery of certain securities, the cash value of a securities index or a stated quantity of a foreign currency. The Fund may lose the expected benefit of futures transactions if securities prices or interest rates move in an unanticipated manner. Such unanticipated changes may also result in poorer overall performance than if the Fund had not entered into any futures transactions. In addition, changes in the value of the Fund's futures and options positions may not prove to be perfectly or even highly correlated with changes in the value of its portfolio securities. This could limit the Fund's ability to hedge effectively against interest-rate and/or market risk and give rise to additional risks.

To the extent that the Fund enters into futures contracts, options on futures contracts and options on foreign currencies traded on an exchange regulated by the CFTC, in each case that are not for *bona fide*

hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums required to establish these positions (excluding the amount by which options are "in-the-money") may not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and unrealized losses on any contracts the Fund has entered into.

The Fund may also purchase and write call and put options on futures contracts which are traded on exchanges that are licensed and regulated by the CFTC, or, consistent with CFTC regulations, on foreign exchanges.

While the holder or writer of an option on a futures contract may normally terminate its position by selling or purchasing an offsetting option of the same series, the Fund's ability to establish and close out options positions at fairly established prices will be subject to the existence of a liquid market. The Fund will not purchase or write options on futures contracts unless, in the opinion of the Fund's Adviser and subadviser, the market for such options has sufficient liquidity that the risks associated with such options transactions are not at unacceptable levels.

While futures contracts will be traded to reduce certain risks, futures trading itself entails certain other risks. Unanticipated changes in securities values, interest rates or currency prices may result in a poorer overall performance for the Fund than if it had not entered into any futures contracts. Some futures contracts may not have a broad and liquid market, in which case the contracts may not be able to be closed at a fair price and the Fund may lose in excess of the initial margin deposit. Moreover, in the event of an imperfect correlation between the futures contract and the portfolio position that is intended to be protected, the desired protection may not be obtained and the Fund may be exposed to risk of loss.

The Fund will incur brokerage costs and will be required to post and maintain "margin" as a good-faith deposit against performance of its obligations under futures contracts and under options written by the Fund. In addition, the Fund is required to segregate assets, such as liquid securities and cash, in an amount equal to the value of the instruments underlying futures contracts and call options purchased and put options written by the Fund.

Forward Currency Exchange Contracts—In an attempt to manage currency risk, the Balanced Fund may purchase and sell forward foreign currency exchange contracts, options on currencies and other currency instruments with respect to 5% of its assets. A forward currency exchange contract ("forward contract") involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded in the interbank market conducted directly between currency traders (usually large commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are charged at any stage for trades.

While the Fund will enter into forward and futures contracts to reduce currency exchange rate risks, transactions in such contracts involve certain other risks. Thus, while the Fund may benefit from such transactions, unanticipated changes in currency prices may result in a poorer overall performance for the Fund than if it had not engaged in any such transaction. Moreover, there may be an imperfect correlation between the Fund's portfolio holdings of securities denominated in a particular currency and forward or futures contracts

entered into by the Fund. Such imperfect correlation may prevent the Fund from achieving a complete hedge or expose the Fund to risk of foreign exchange loss.

Combined Transactions—The Fund may enter into multiple transactions, including multiple options transactions, multiple futures transactions, multiple foreign currency transactions (including forward foreign currency exchange contracts) and any combination of futures, options and foreign currency transactions ("component" transactions), instead of a single transaction, as part of a single hedging strategy when, in the opinion of the investment adviser and investment subadviser, it is in the best interest of the Fund to do so. A combined transaction, while part of a single hedging strategy, may contain elements of risk that are present in each of its component transactions.

Use of Segregated and Other Special Accounts—Options, futures and forward foreign currency transactions which obligate the Fund to provide cash, securities or currencies to complete such transactions will entail the Fund either segregating assets in an account with, or on the books of, the Custodian to the extent the Fund does not own the securities, or the securities denominated in the currency, which are the subject of the obligation, or otherwise "covering" the transaction as allowed under interpretive positions of the SEC. For example, a call option written by the Fund will require the Fund to hold the securities subject to the call (or securities convertible into the needed securities without additional consideration) or to segregate high-grade liquid debt obligations sufficient to meet the obligation by purchasing and delivering the securities if the call is exercised. A call option written on an index will require the Fund to have portfolio securities that correlate with the index or to segregate such high-grade liquid assets. A put option written by the Fund also will require the Fund to segregate such high-grade liquid assets sufficient to cover the Fund's obligation to buy the securities covered by the put if the put is exercised.

Except when the Fund enters into a forward contract for the purpose of the purchase or sale of a security denominated in a foreign currency, a forward foreign currency contract which obligates the Fund to provide currencies will require the Fund to hold currencies or liquid securities denominated in that currency which will equal the Fund's obligations. Such a contract requiring the purchase of currencies also requires segregation.

Unless the Fund owns or maintains a segregated account consisting of the securities, cash or currencies which are the subject of the obligation as described above, the Fund will hold liquid assets in a segregated account. These assets cannot be transferred while the obligation is outstanding unless replaced with other suitable assets. Rather than segregating assets in the case of an index-based transaction, the Fund could own securities substantially replicating the movement of the particular index.

In the case of a futures contract, the Fund, apart from its duty to segregate, must deposit initial margin and variation margin, as often as daily if the position moves adversely, sufficient to meet its obligation to purchase or provide securities or currencies, or to pay the amount owed at the expiration of an index-based futures contract. Similarly, options on futures contracts require margin to the extent necessary to meet the Fund's commitments.

In lieu of such procedures, such transactions may be covered by other means, consistent with applicable regulatory policies. The Fund may enter into certain offsetting transactions so that its combined position, coupled with any segregated assets, equals its net outstanding obligation in related options and

hedging transactions. For example, the Fund could purchase a put option if the strike price of that option is the same or higher than the strike price of a put option sold by the Fund. Moreover, instead of segregating assets if the Fund held a futures or forward contract, it could purchase a put option on the same futures or forward contract with a strike price as high or higher than the price of the contract held. Of course, the offsetting transaction must terminate at the time of or after the primary transaction.

EQUITY FUND

The Equity Fund seeks to achieve its investment objective by investing in the common stocks comprising the KLD400 Index. The Equity Fund's policy is to invest at least 80% of its assets in the stocks comprising the KLD400 Index.

The KLD400 Index is a float-adjusted, market capitalization-weighted, common stock index of U.S. equities. Launched by KLD Research & Analytics, Inc., a wholly-owned subsidiary of RiskMetrics Group, Inc. ("KLD") in May 1990, the KLD400 Index is the first benchmark index constructed using environmental, social and governance (ESG) factors. It is a widely recognized benchmark for measuring the impact of social and environmental screening on investment portfolios.

The KLD400 Index includes companies that have positive environmental, social and corporate governance performance relative to their industry and sector peers, and in relation to the broader market. KLD seeks to include companies that enable the KLD400 Index to approximate the sector and industry weights of the U.S. equity market. KLD looks for candidates in sectors and industries in which the KLD400 Index is under-weight relative to the U.S. equity market. In sectors and industries where the KLD400 Index is over-weight relative to the U.S. equity market, KLD will only consider companies for addition to the KLD400 Index that have top ESG performance relative to their sector or industry. Because of the social criteria applied in the selection of stocks comprising the KLD400 Index, industry sector weighting in the KLD400 Index may vary materially from the industry weightings in other stock indices, as well as in the U.S. equity market, and certain industry sectors may be excluded altogether.

To maintain the investability of the KLD400 Index, KLD reviews certain financial characteristics of companies, such as float, earnings and trading volume to evaluate liquidity and financial viability.

The weightings of stocks in the KLD400 Index are based on each stock's relative total market capitalization, (i.e., market price per share times the number of shares outstanding.) Because of this weighting, as of July 31, 2009 approximately 44.5% of the KLD400 Index was comprised of the 20 largest companies in that Index.

The KLD400 Index calculates market capitalization on a "float-adjusted basis." This means that only the shares of company stock that are readily available in the public market will be used to calculate a company's market capitalization. Shares that are closely held by other publicly traded companies, control groups, or government agencies will be excluded from the calculation.

The Equity Fund intends to readjust its securities holdings periodically such that those holdings will correspond, to the extent reasonably practicable, to the KLD400 Index both in terms of composition and weighting. The timing and extent of adjustments in the holdings of the Equity Fund, and the extent of the

correlation of the holdings of the Equity Fund with the KLD400 Index, will reflect the Equity Fund's subadviser's judgment as to the appropriate balance as between the goal of correlating its holdings with the composition of the KLD400 Index and the goals of minimizing transaction costs and keeping sufficient reserves available for anticipated redemptions of shares. Mellon Capital Management Corporation ("Mellon Capital" or the "Subadviser") is the Equity Fund's Subadviser. To the extent practicable, the Equity Fund will seek a correlation between the weightings of securities held by the Equity Fund to the weightings of the securities in the KLD400 Index of 0.95 or better. The Board of Trustees of the Equity Fund will receive and review, at least quarterly, a report prepared by the Subadviser comparing the performance of the Equity Fund with that of the KLD400 Index, and comparing the composition and weighting of the Equity Fund's holdings with those of the KLD400 Index, and will consider what action, if any, should be taken in the event of a significant variation between the performance of the Equity Fund and that of the KLD400 Index, or between the composition and weighting of the Equity Fund's securities holdings with those of the stocks comprising the KLD400 Index. If the correlation between the weightings of securities held by the Equity Fund and the weightings of the stocks in the KLD400 Index falls below 0.95, the Board of Trustees of the Equity Fund will review with the Subadviser of the Equity Fund methods for increasing such correlation, such as through adjustments in securities holdings of the Equity Fund. To the extent practicable, the Equity Fund will attempt to be fully invested.

The Equity Fund reserves the right to temporarily use a different investment strategy for defensive purposes in response to extraordinary market conditions, economic factors, or other occurrences. This may adversely affect the Equity Fund's performance and the Equity Fund may not achieve its investment objective. Investors should note, however, that the Equity Fund may decide not to do so in the future, even in the event of deteriorating market conditions.

Securities Subject to Taxation: With respect to stocks of foreign issuers, the Equity Fund does not purchase securities which the Equity Fund believes, at the time of purchase, will be subject to exchange controls or foreign withholding taxes; however, there can be no assurance that such laws may not become applicable to certain of the Equity Fund's investments. In the event unforeseen exchange controls or foreign withholding taxes are imposed with respect to any of the Equity Fund's investments, the effect may be to reduce the income received by the Equity Fund on such investments.

Rule 144A Securities: The Equity Fund may invest in certain restricted securities ("Rule 144A securities") for which there is a secondary market of qualified institutional buyers, as defined in Rule 144A, as defined under the Securities Act of 1933, as amended (the "1933 Act"). Rule 144A provides an exemption from the registration requirements of the 1933 Act for the resale of certain restricted securities to qualified institutional buyers. The Equity Fund does not currently intend to invest in these securities.

One effect of Rule 144A is that certain restricted securities may now be liquid, though there is no assurance that a liquid market for Rule 144A securities will develop or be maintained. In promulgating Rule 144A, the SEC stated that the ultimate responsibility for liquidity determinations is that of an investment company's board of directors. However, the SEC stated that the board may delegate the day-to-day function of determining liquidity to the fund's investment adviser, provided that the board retains sufficient oversight.

To the extent that liquid Rule 144A securities that the Equity Fund holds become illiquid, due to the lack of sufficient qualified institutional buyers or market or other conditions, the percentage of the Equity Fund's assets invested in illiquid assets would increase. The Adviser and the Subadviser will monitor the Equity

Fund's investments in Rule 144A securities and will consider appropriate measures to enable the Equity Fund to maintain sufficient liquidity for operating purposes and to meet redemption requests.

Repurchase Agreements: The Equity Fund may invest in repurchase agreements that are fully collateralized by securities in which the Equity Fund may otherwise invest. A repurchase agreement involves the purchase of a security that later must be sold back to the seller (which is usually a member bank of the U.S. Federal Reserve System or a member firm of the New York Stock Exchange (NYSE) (or a subsidiary thereof)) at an agreed time (usually not more than seven days from the date of purchase) and price. The resale price reflects the purchase price plus an agreed-upon market rate of interest. Under the 1940 Act, repurchase agreements may be considered to be loans by the buyer. If the seller defaults, the underlying security constitutes collateral for the seller's obligation to pay although the Equity Fund may incur certain costs in liquidating this collateral and in certain cases may not be permitted to liquidate this collateral. In the event of the bankruptcy of the other party to a repurchase agreement, the Equity Fund could experience delays in recovering either the securities or cash. To the extent that, in the meantime, the value of the securities purchased has decreased, the Equity Fund could experience a loss.

Option Contracts: Although it has no current intention to do so, the Equity Fund may in the future enter into certain transactions in stock options for the purpose of hedging against possible increases in the value of securities which are expected to be purchased by the Equity Fund or possible declines in the value of securities which are expected to be sold by the Equity Fund. Generally, the Equity Fund would only enter into such transactions on a short-term basis pending readjustment of its holdings of underlying stocks.

The purchase of an option on an equity security provides the holder with the right, but not the obligation, to purchase the underlying security, in the case of a call option, or to sell the underlying security, in the case of a put option, for a fixed price at any time up to a stated expiration date. The holder is required to pay a non-refundable premium, which represents the purchase price of the option. The holder of an option can lose the entire amount of the premium, plus related transaction costs, but not more. Upon exercise of the option, the holder is required to pay the purchase price of the underlying security in the case of a call option, or deliver the security in return for the purchase price in the case of a put option.

Prior to exercise or expiration, an option position may be terminated only by entering into a closing purchase or sale transaction. This requires a secondary market on the exchange on which the position was originally established. While the Equity Fund would establish an option position only if there appears to be a liquid secondary market therefore, there can be no assurance that such a market will exist for any particular option contract at any specific time. In that event, it may not be possible to close out a position held by the Equity Fund, and the Equity Fund could be required to purchase or sell the instrument underlying an option, make or receive a cash settlement or meet ongoing variation margin requirements. The inability to close out option positions also could have an adverse impact on the Equity Fund's ability effectively to hedge its portfolio.

Transactions by the Equity Fund in options on securities will be subject to limitations established by each of the exchanges, boards of trade, or other trading facilities governing the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert. Thus, the number of options that the Equity Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Adviser or the Subadviser. An exchange, board of trade,

or other trading facility may order the liquidation of positions found to be in excess of these limits and it may impose certain other sanctions.

Short Sales: Although it has no current intention to do so, the Equity Fund may make short sales of securities or maintain a short position, if at all times when a short position is open the Equity Fund owns an equal amount of such securities, or securities convertible into such securities.

BALANCED FUND AND EQUITY FUND

Foreign Securities—Diversification of assets on a global basis decreases the degree to which events in any one country, including the United States, will affect an investor's entire investment holdings. In the period since World War II, many leading foreign economies have grown more rapidly than the United States economy, providing investment opportunities, although there can be no assurance that this will be true in the future. As with any long-term investment, the value of shares when sold may be higher or lower than when purchased.

Investors should recognize that investing in foreign securities involves certain risk factors, including those set forth below, which are not typically associated with investing in United States securities and which may affect the Funds' performance favorably or unfavorably. Many foreign stock markets, while growing in volume of trading activity, have substantially less volume than the NYSE, and securities of some foreign companies are less liquid and more volatile than securities of domestic companies. Similarly, volume and liquidity in most foreign bond markets is less than that in the United States market and, at times, volatility of price can be greater than in the United States. Further, foreign markets have different clearance and settlement procedures and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of a Fund are uninvested and no return is earned thereon. The inability of a Fund to make intended security purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems either could result in losses to a Fund due to subsequent declines in value of the portfolio security or, if the Fund has entered into a contract to sell the security, could result in possible liability to the purchaser. Fixed commissions on some foreign stock exchanges are generally higher than negotiated commissions on U.S. exchanges, although the Funds will endeavor to achieve the most favorable net results on portfolio transactions. Further, the Funds may encounter difficulties or be unable to pursue legal remedies and obtain judgment in foreign courts. There is generally less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies than in the United States. It may be more difficult for the Funds' agents to keep currently informed about corporate actions such as stock dividends or other matters which may affect the prices of portfolio securities. Communications between the United States and foreign countries may be less reliable than within the United States, thus increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities. In addition, with respect to certain foreign countries, there is the possibility of expropriation or confiscatory taxation, political or social instability, or diplomatic developments which could affect United States investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the United States economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. The investment advisers seek to mitigate the risks associated with the foregoing considerations through diversification and continuous professional management.

The Funds may invest in sponsored and unsponsored American Depositary Receipts (“ADRs”) and, in the case of the Balanced Fund, Global Depositary Receipts (“GDRs”). ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership in the underlying securities. Transactions in these securities may not necessarily be settled in the same currency as transactions in the securities into which they represent. Generally ADRs, in registered form, are designed for use in U.S. securities markets. GDRs are receipts issued in more than one country, evidencing ownership in underlying securities issued by a foreign company.

Risks of Specialized Investment Techniques Abroad—The above described specialized investment techniques, when conducted abroad, may not be regulated as effectively as in the United States; may not involve a clearing mechanism and related guarantees; and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the Funds’ ability to act upon economic events occurring in foreign markets during nonbusiness hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States, and (v) lesser trading volume.

Lending of Portfolio Securities—Each Fund may lend its securities to brokers, dealers and financial institutions, provided (1) the loan is secured continuously by collateral, consisting of U.S. Government securities or cash or letters of credit, which is marked to the market daily to ensure that each loan is fully collateralized at all times; (2) the loan may be called at any time and the return of the securities loaned obtained within three business days; (3) each Fund will receive any interest or dividends paid on the securities loaned; and (4) the aggregate market value of securities loaned will not at any time exceed 30% of the total assets of a Fund.

Each Fund will earn income for lending its securities either in the form of fees received from the borrower of the securities or in connection with the investment of cash collateral in short-term money market instruments. The Fund will continue to have the market risks and other risks associated with owning the securities on loan, as well as the risks associated with the investment of the cash collateral received in connection with the loan. Loans of securities also involve a risk that the borrower may fail to return the securities, there may be a delay in receiving additional collateral to adequately cover any fluctuations in the value of securities on loan, a delay in recovery of the securities, or the loss of rights in the collateral should the borrower fail financially. If a borrower defaults, the value of the collateral may decline before the Fund can dispose of it. The Fund may not exercise voting rights on loaned securities, but reserves the right to recall loaned securities so that they may be voted according to the Fund’s proxy voting policy.

In connection with lending securities, the Funds may pay reasonable finders, administrative and custodial fees. No such fees will be paid to any person if it or any of its affiliates is affiliated with the Funds, the investment adviser of the Funds, or the investment subadviser of either of the Funds.

At the present time, neither Fund intends to loan securities worth more than 5% of the Fund’s assets.

INVESTMENT RESTRICTIONS

Each Fund is operated under the following investment restrictions which are deemed fundamental policies and may be changed with respect to a Fund only with the approval of the holders of a “majority of the outstanding voting securities” of the Fund which, as defined in the 1940 Act and as used herein, means the vote of the lesser of (i) 67% or more of the voting power of the Fund’s outstanding voting securities present at a meeting, if the holders of more than 50% of the voting power of the Fund’s outstanding voting securities are present in person or represented by proxy; or (ii) more than 50% of the voting power of the Fund’s outstanding voting securities, whichever is less.

BALANCED FUND

The Trust, on behalf of the Balanced Fund, may not:

(1) borrow money if such borrowing is specifically prohibited by the 1940 Act or the rules and regulations promulgated thereunder;

(2) underwrite securities issued by other persons, except that all or any portion of the assets of the Balanced Fund may be invested in one or more investment companies, to the extent not prohibited by the 1940 Act, the rules and regulations thereunder, and exemptive orders granted under such Act, and except in so far as the Balanced Fund may technically be deemed an underwriter under the 1933 Act in selling a security;

(3) make loans to other persons if such loans are prohibited by the 1940 Act or the rules and regulations promulgated thereunder;

(4) purchase or sell real estate or interests in oil, gas or mineral leases in the ordinary course of business (the Balanced Fund reserves the freedom of action to hold and to sell real estate acquired as a result of the ownership of securities by the Balanced Fund);

(5) purchase or sell commodities or commodities contracts in the ordinary course of business (the foregoing shall not preclude the Balanced Fund from purchasing or selling futures contracts or options thereon);

(6) invest more than 25% of its assets in any one industry except that all or any portion of the assets of the Balanced Fund may be invested in one or more investment companies, to the extent not prohibited by the 1940 Act, the rules and regulations thereunder, and exemptive orders granted under such Act; and

(7) issue any senior security (as that term is defined in the 1940 Act) if such issuance is specifically prohibited by the 1940 Act or the rules and regulations promulgated thereunder.

Non-Fundamental Restrictions—In order to comply with certain federal statutes and policies the Trust, on behalf of the Balanced Fund, will not as a matter of operating policy:

(1) purchase securities issued by any investment company if as a result thereof (a) more than 10% of the Fund's total assets (taken at the greater of cost or market value) to be invested in the securities of such issuers; (b) more than 5% of the Fund's total assets (taken at the greater of cost or market value) will be invested in any one investment company; or (c) more than 3% of the outstanding voting securities of any such issuer will be held for the Fund;

(2) invest more than 15% of the net assets of the Fund (taken at the greater of cost or market value) in securities that are illiquid or not readily marketable;

(3) with respect to 75% of the total assets of the Fund, invest more than 5% of the total assets of the Fund in the securities or obligations of any one issuer (other than U.S. Government obligations) or acquire more than 10% of the outstanding voting securities of any one issuer.

These policies are not fundamental and may be changed without shareholder approval in response to changes in the various state and federal requirements.

EQUITY FUND

The Equity Fund may not:

(1) borrow money if such borrowing is specifically prohibited by the 1940 Act or the rules and regulations promulgated thereunder;

(2) underwrite securities issued by other persons, except that all or any portion of the assets of the Equity Fund may be invested in one or more investment companies, to the extent not prohibited by the 1940 Act, the rules and regulations thereunder, and exemptive orders granted under such Act, and except in so far as the Equity Fund may technically be deemed an underwriter under the 1933 Act in selling a security;

(3) make loans to other persons if such loans are prohibited by the 1940 Act or the rules and regulations promulgated thereunder;

(4) purchase or sell real estate or interests in oil, gas or mineral leases in the ordinary course of business (the Equity Fund reserves the freedom of action to hold and to sell real estate acquired as a result of the ownership of securities by the Equity Fund);

(5) purchase or sell commodities or commodities contracts in the ordinary course of business (the foregoing shall not preclude the Equity Fund from purchasing or selling futures contracts or options thereon);

(6) issue any senior security (as that term is defined in the 1940 Act) if such issuance is specifically prohibited by the 1940 Act or the rules and regulations promulgated thereunder; and

(7) invest more than 25% of its assets in any one industry except that (i) all or any portion of the assets of the Equity Fund may be invested in one or more investment companies, to the extent not prohibited by the 1940 Act, the rules and regulations thereunder, and exemptive orders granted under such Act, and (ii) if an investment objective or strategy of the Equity Fund is to match the performance of an index and the stocks in a

single industry comprise more than 25% of such index, the Equity Fund may invest more than 25% of its assets in that industry.

Non-Fundamental Restrictions: In order to comply with certain federal statutes and policies, the Equity Fund will not, as a matter of operating policy, purchase puts, calls, straddles, spreads and any combination thereof if the value of its aggregate investment in such securities will exceed 5% of the Equity Fund's total assets at the time of such purchase. This policy is not fundamental and may be changed by the Equity Fund without the approval of its investors in response to changes in federal requirements.

In addition, as a non-fundamental policy, the Equity Fund will under normal circumstances and as a matter of operating policy, invest at least 80% of its assets in equity securities and related investments. Compliance with this non-fundamental investment restriction is measured at the time an investment is made. Shareholders of the Equity Fund will be provided with at least 60 days' prior notice of any change in the non-fundamental restriction set forth in this paragraph.

In addition, as a non-fundamental policy, not more than 15% of the net assets of the Equity Fund will be invested in illiquid securities, except that the Equity Fund may invest all or any portion of its assets in one or more investment companies, to the extent not prohibited by the 1940 Act or the rules and regulations thereunder.

In addition, as a non-fundamental policy, the Equity Fund may not, as to 75% of its total assets, purchase securities of any issuer if such purchase at the time thereof would cause more than 5% of the Equity Fund's total assets (taken at market value) to be invested in the securities of such issuer (other than securities or obligations issued or guaranteed by the (i) United States, (ii) any state or political subdivision thereof, (iii) any political subdivision of any such state, or (iv) any agency or instrumentality of the United States, any state or political subdivision thereof, or any political subdivision of any such state), provided that, for purposes of this restriction, (a) the issuer of an option or futures contract shall not be deemed to be the issuer of the security or securities underlying such contract and (b) the Equity Fund may invest all or any portion of its assets in one or more investment companies to the extent not prohibited by the 1940 Act the rules and regulations thereunder, and exemptive orders granted under such Act.

In addition, as a non-fundamental policy, the Equity Fund may not, as to 75% of its total assets, purchase securities of any issuer if such purchase at the time thereof would cause more than 10% of the voting securities of such issuer to be held by the Equity Fund, provided that, for purposes of this restriction, (i) the issuer of an option or futures contract shall not be deemed to be the issuer of the security or securities underlying such contract and (ii) the Equity Fund may invest all or any portion of its assets in one or more investment companies to the extent not prohibited by the 1940 Act the rules and regulations thereunder, and exemptive order granted under such Act.

Percentage Restrictions: If a percentage restriction or rating restriction on investment or utilization of assets set forth above or referred to in the Prospectus is adhered to at the time an investment is made or assets are so utilized, a later change in percentage resulting from changes in the value of the securities held by a Fund or a later change in the rating of a security held by a Fund will not be considered a violation of policy; provided that if at any time the ratio of borrowings of a Fund to the net asset value of a Fund exceeds the ratio permitted by Section 18(f) of the 1940 Act, a Fund will take the corrective action required by Section 18(f).

TRUSTEES AND OFFICERS

The affairs of the Green Century Funds are conducted under the direction of the Board of Trustees of Green Century in accordance with the laws of the Commonwealth of Massachusetts.

The Trustees and Officers of the Trust, their ages, their principal occupations during the past five years (although their titles may have varied during the period), other directorships held and the number of investment companies in the Green Century Family of Funds that the Trustees oversee are set forth below.

Trustees of the Trust Green Century Funds Trustees and Officers

The following table presents information about each Trustee and each Officer of the Trust. Each Trustee and each officer of the Trust noted as an “interested person” (as defined in the 1940 Act), and noted with an asterisk, is interested by virtue of his or her position with the Funds as described below. The Trust does not hold annual shareholder meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. This means that each Trustee holds office until his or her successor is elected or until he or she retires, resigns, dies, or is removed from office. No Trustee or Officer is a director of a public company or a registered investment company other than, with respect to the Trustees, the Funds.

Name, Address and Age	Position(s) Held with the Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held	Number of Funds in Green Century Family of Funds Overseen by Trustee
Independent Trustees:				
Tanya Africa 114 State Street Suite 200 Boston, MA 02109 Age: 40	Trustee since 2009	Consultant, Self-Employed (since 2009); Director of Electoral Initiatives, MoveOn.org, a political action organization (2005-2009); Associate Director, Truckee Donner Land Trust (2002-2005)	None	2
Stephen J. Morgan 104 Landing Drive Chapel Hill, NC 27514 Age:61	Trustee since 1991	President, Clean Energy Solutions (since 2009); Vice President, Clean Energy Solutions (2007-2008); Vice President, AMERESCO, Inc., an independent energy solutions company (2000 to 2007)	None	2

Name, Address and Age	Position(s) Held with the Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held	Number of Funds in Green Century Family of Funds Overseen by Trustee
Mary Raftery 114 State Street Suite 200 Boston, MA 02109 Age: 44	Trustee since 2009	Chief Operating Officer, Apollo Alliance (since 2007); Executive Director, Stanford Institute for Creativity and the Arts (2005-2007); Development Director, Stanford Lively Arts (2001-2005)	None	2
James H. Starr 114 State Street Suite 200 Boston, MA 02109 Age:62	Independent Chairperson since 2009, Trustee since 1991	Attorney, Starr and Associates, PC (since 1982); Chairperson, Gunnison Valley Transportation Authority (since 2008); President, Peanut Mine, Inc. (since 2002); County Commissioner, Gunnison County, CO (since 1999); Director, Crested Butte Land Trust (since 1991)	None	2
Interested Trustees:				
John Comerford* 114 State Street Suite 200 Boston, MA 02109 Age: 41	Trustee since 2005	Executive Vice President, Instinet, LLC (since 2007); Managing Director and Head of Quantitative Trading Research, Nomura Securities International (2003 to 2007)	None	2
Douglas H. Phelps* 1550 Larimer Street, #216 Denver, CO 80202 Age: 62	Trustee since 1997	President (1996 to 2003) and Director (since 1996), Green Century Capital Management, Inc.; Chairman, Fund for the Public Interest; (since 1982); President, Telefund, Inc. (since 1988); President, Grassroots Campaigns, Inc. (since 2003).	None	2
Wendy Wendlandt* 114 State Street Suite 200	Trustee since 1991	President (since 2006) and Director (since 2006), Green Century	None	2

Name, Address and Age	Position(s) Held with the Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held	Number of Funds in Green Century Family of Funds Overseen by Trustee
Boston, MA 02109 Age: 48		Capital Management, Inc.; Senior Staff, Fund for the Public Interest, Center for Public Interest Research (since 1989)		
Officers:				
Kristina A. Curtis* 114 State Street Suite 200 Boston, MA 02109 Age: 57	President since 2005; Treasurer since 2008	Senior Vice President of Finance and Operations (since 2002), Chief Operating Officer (1991 to 2002), Treasurer and Director (since 1991), Senior Vice President (since 1991), Green Century Capital Management, Inc.	None	Not applicable
Amy F. Puffer* 114 State Street Suite 200 Boston, MA 02109 Age: 51	Chief Compliance Officer since 2004; Secretary and Assistant Treasurer since 2006	Chief Compliance Officer (since 2004), Clerk and Director (since 2006), Green Century Capital Management, Inc.	None	Not Applicable

The Green Century Funds Board of Trustees Committees

The Board of Trustees of the Trust has four standing committees: an Audit Committee, a Nominating Committee, a Valuation Committee and a Qualified Legal Compliance Committee.

James H. Starr and Stephen Morgan, each an Independent Trustee, are members of the Audit Committee. The Audit Committee met once during the Trust's last fiscal year to select the auditor, review the Funds' financial statements and audited annual report, to receive the report of the Trust's independent auditors, and to review the internal and external accounting procedures of the Trust.

James H. Starr and Stephen J. Morgan, each an Independent Trustee, are members of the Nominating Committee. The Nominating Committee is responsible for, among other things, recommending candidates to fill vacancies on the Board of Trustees. The Nominating Committee will consider nominees recommended by shareholders. If you would like to recommend a nominee to the Nominating Committee, please deliver your recommendations in writing to the Secretary of the Trust, c/o Green Century Capital Management, Inc., 114 State Street, Suite 200, Boston, MA 02109. The Nominating Committee met twice during the Trust's last fiscal year.

John Comerford and Tanya Africa are members of the Valuation Committee. Ms. Africa is an Independent Trustee and Mr. Comerford is an Interested Trustee. The Valuation Committee monitors the valuation of fund investments. The Valuation Committee did not meet during the Trust's last fiscal year.

Stephen Morgan, James H. Starr and Mary Raftery are members of the Qualified Legal Compliance Committee ("QLCC"). The QLCC is authorized to receive, evaluate and investigate reports of material violations of law as prescribed by Section 307 of the Sarbanes-Oxley Act of 2002, which shall include, without limitation, the authority to retain such legal counsel and expert personnel as the QLCC may deem necessary and to notify the SEC in the event the Trust fails to implement a recommendation of the QLCC following an investigation. The QLCC did not meet during the Trust's last fiscal year.

The Green Century Funds Trustee Share Ownership

The following table shows the amount of equity securities beneficially owned by the Trustees of the Trust in all investment companies in the Green Century Family of Funds as of December 31, 2008.

Interested Trustees

Name of Trustee	Dollar Range of Equity Securities in the Green Century Equity Fund	Dollar Range of Equity Securities in the Green Century Balanced Fund	Aggregate Dollar Range of Equity Securities in all Investment Companies Overseen by Trustees in Green Century Fund Family
John Comerford	None	None	None
Douglas H. Phelps	\$10,001-\$50,000	over \$100,000	over \$100,000
Wendy Wendlandt	\$1-\$10,000	\$1-\$10,000	\$1-\$10,000

Independent Trustees

Name of Trustee	Dollar Range of Equity Securities in the Green Century Equity Fund	Dollar Range of Equity Securities in the Green Century Balanced Fund	Aggregate Dollar Range of Equity Securities in all Investment Companies Overseen by Trustees In Green Century Fund Family
Tanya Africa	None	None	None
David J. Fine*	None	\$1-\$10,000	\$1-\$10,000
Douglas M. Husid*	None	\$1-\$10,000	\$1-\$10,000
Stephen Morgan	None	\$1-\$10,000	\$1-\$10,000
Mary Raftery	None	None	None
James H. Starr	\$1-\$10,000	\$10,001-\$50,000	\$10,001-\$50,000

*As of June 24, 2009, Messrs. Fine and Husid are no longer Trustees of the Trust.

Trustee Compensation

No Trustee of the Trust receives any compensation from the Trust, but each Trustee is reimbursed for any out-of-pocket expenses incurred in attending meetings of the Board of Trustees or of any committee

thereof. Information regarding compensation paid to the Trustees of the Trust for the fiscal year ended July 31, 2009 is set forth below. The Trust does not contribute to a retirement plan for the Trustees of the Trust.

Trust Trustees

NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM THE TRUST	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF FUNDS EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM THE FUNDS AND GREEN CENTURY FUND COMPLEX PAID TO TRUSTEES
Tanya Africa, Trustee	None	None	None	None
John Comerford, Trustee	None	None	None	None
David J. Fine, Trustee*	None	None	None	None
Douglas M. Husid, Trustee*	None	None	None	None
Stephen Morgan, Trustee	None	None	None	None
Douglas H. Phelps, Trustee	None	None	None	None
Mary Raftery, Trustee	None	None	None	None
James H. Starr, Independent Chairperson and Trustee	None	None	None	None
Wendy Wendlandt, Trustee	None	None	None	None

*As of June 24, 2009, Messrs. Fine and Husid are no longer Trustees of the Trust.

Control Persons and Principal Holders of Securities

As of October 31, 2009 all Trustees and officers of the Trust as a group owned less than 1% of the outstanding shares of each Fund. As of October 31, 2009, the following are the only persons known by the Trust to have more than 5% of the outstanding shares of the Balanced or Equity Funds: National Financial Services Corporation, 200 Liberty Street, 5th Floor, New York, New York 10281-1003 owned 10.42% of the outstanding shares of the Balanced Fund, Charles Schwab & Company, 101 Montgomery Street, San Francisco, California 94104 owned 10.77% of the Balanced Fund and MAC & Company, Post Office Box 3198, Pittsburgh, PA 15230-3198 owned 9.19% of the Balanced Fund (owners of record, not beneficial owners). National Financial Services Corporation, 200 Liberty Street, 5th Floor, New York, New York 10281-1003 owned 8.67% of the Equity Fund and Charles Schwab & Company, 101 Montgomery Street, San Francisco, California 94104 owned 41.29% of the Equity Fund (owners of record, not beneficial owners). Shareholders owning 25% or more of the outstanding shares of a Fund may take actions without the approval of any other investor in that Fund.

Proxy Voting Policies

The Green Century Funds have delegated proxy voting decisions to their investment adviser, Green Century Capital Management, Inc. ("Green Century Capital" or the "Adviser"). The policies and procedures that the adviser uses to determine how to vote the Funds' proxies are included in Appendix B. Details of the Funds'

voting record may be found on their web site, www.greencentury.com.

Code of Ethics

Rule 17j-1 under the 1940 Act is designed to prevent abuses that could occur as a result of conflicts of interest arising out of personal trading by persons involved with or with access to information about a fund's investment activities. The Funds, the Adviser and each of the Fund's subadvisers (as defined below), and UMB Distribution Services, LLC, the Funds' distributor, have each adopted detailed Codes of Ethics regarding personal investing by their personnel pursuant to Rule 17j-1 under the 1940 Act. The Codes of Ethics permit personnel subject to the Codes to invest in securities that may be purchased or held by the Funds. The Code of Ethics require personnel who are "access persons" of the Funds within the meaning of Rule 17j-1 to comply with their respective Code of Ethics, subject to sanctions for noncompliance. Each Code of Ethics places certain restrictions on the trading activities of its access persons, along with reporting requirements.

INVESTMENT ADVISERS

Balanced Fund

Investment Adviser. Under an Investment Advisory Agreement dated as of August 13, 1991 as amended and restated on March 29, 1999 and on November 28, 2006 (the "Advisory Agreement") and subject to the general supervision of the Trust's Trustees and in conformance with the respective stated policies of the Balanced Fund, Green Century Capital provides general investment advice to the Balanced Fund. Green Century Capital also helps the Trust design, and instructs the Balanced Fund's investment subadviser as to how to implement the Trust's environmental criteria.

The Advisory Agreement provides that it will continue indefinitely if its continuance is specifically approved at least annually by the vote of the holders of a majority of the outstanding voting securities of the Balanced Fund or by vote of a majority of the Trust's Board of Trustees; and provided further that such continuance is also approved annually by the vote of a majority of the Trustees who are not parties to the Advisory Agreement or interested persons of the Trust's Adviser, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement may be terminated at any time without payment of any penalty, by the Trust's Board of Trustees or by a vote of the majority of the outstanding voting securities of the Fund upon 60 days' prior written notice to the Adviser and by the Adviser upon 60 days' prior written notice to the Trust. The Advisory Agreement provides that it shall terminate automatically in the event of its assignment.

The Advisory Agreement further provides that absent willful misfeasance, bad faith, gross negligence, or reckless disregard of obligations or duties under the Advisory Agreement on the part of the Adviser, the Adviser shall not be subject to liability to the Trust or to any shareholder of the Fund for any act or omission in the course of, or in connection with, rendering services under the Advisory Agreement or for any losses that may be sustained in the purchase, holding or sale of any security. The Advisory Agreement also provides that the services of the Adviser are not deemed exclusive and that the Adviser may render similar services to others.

Under the Advisory Agreement, the Trust has agreed that the names "Green Century Funds" and "Green Century" are proprietary to the Adviser.

Green Century Capital is wholly owned by Paradigm Partners, a California general Partnership, the partners of which are all not-for-profit advocacy organizations. The Massachusetts Public Interest Research Group (MASSPIRG) owns approximately 46% of Paradigm Partners.

As compensation for the services rendered and obligations assumed by the Adviser, the Trust pays to the Adviser monthly a fee equal on an annual basis to 0.65% of the average daily net assets of the Balanced Fund, computed and accrued daily. Prior to November 28, 2006, the Trust paid to the Adviser monthly a fee equal on an annual basis to 0.75% of the average daily net assets of the Balanced Fund, computed and accrued daily. For the fiscal years ended July 31, 2007, 2008 and 2009, the Balanced Fund incurred advisory fees aggregating \$363,164, \$340,784 and \$285,679, respectively.

Investment Subadviser. Green Century Capital has entered into an Investment Subadvisory Agreement (the "Subadvisory Agreement") on behalf of the Balanced Fund with Trillium dated as of November 28, 2005. It is Trillium's responsibility under the direction of the Adviser, to make the day-to-day investment decisions for the Balanced Fund and to place the purchase and sale orders for the portfolio transactions of the Balanced Fund consistent with the environmental criteria established by the Adviser and subject to the general direction of the Adviser.

Trillium, with principal offices located at 711 Atlantic Avenue, Boston, MA 02111, is an independent SEC-registered investment advisory firm devoted exclusively to environmentally and socially responsible investing. An employee-owned company, Trillium has been in the business of providing investment advisory services since 1982. Progressive Securities Corporation, c/o Wainwright Bank & Trust, 63 Franklin Street, Boston, MA 02110, owns approximately 37% of the equity of Trillium in the form of non-voting preferred stock. The estate of Joan L. Bavaria, the founder and former President of Trillium, owns 18% of the equity of Trillium in the form of non-voting preferred stock. Three employees and officers of the company, Patricia Davidson, Diane DeBono, and Stephanie Leighton, each own more than 10% of Trillium's voting common stock. No other person or entity owns more than 10% of Trillium.

Trillium manages equity and debt instruments in environmentally and socially responsible companies for its clients. As of September 30, 2009, Trillium had approximately \$900 million in assets under management.

The Subadvisory Agreement became effective on November 28, 2005 and was approved by the shareholders of the Balanced Fund at a Special Meeting held on March 15, 2006. The Subadvisory Agreement will continue in effect if such continuance is specifically approved at least annually by vote of the holders of a "majority of the outstanding voting securities" (as defined in the 1940 Act) of the Balanced Fund or by vote of a majority of the Trust's Board of Trustees, and in either case by the vote of a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act) at a meeting called for the purpose of voting on the Subadvisory Agreement. The Subadvisory Agreement may be terminated without penalty (i) by the Balanced Fund's Board of Trustees or by a vote of a majority of the outstanding voting securities of the Balanced Fund on not more than 60 days' nor less than 30 days prior written notice to Trillium and Green Century Capital, (ii) by Green Century Capital upon not more than 60 days' nor less than

30 days prior written notice to the Balanced Fund and Trillium or (iii) by Trillium upon not less than 180 days' prior written notice to the Balanced Fund and Green Century Capital. The Trillium Subadvisory Agreement will automatically terminate in the event of its assignment. The Trillium Subadvisory Agreement provides that Trillium is not liable for any error of judgment or for any act or omission in the execution of securities transactions for the Balanced Fund, except for willful misfeasance, bad faith, gross negligence, violation of law or reckless disregard of its obligations and duties under the Trillium Subadvisory Agreement.

Pursuant to the Subadvisory Agreement, Trillium makes the day-to-day investment selections for the Balanced Fund, subject always to the provisions of the 1940 Act and to the environmental criteria, investment objective, policies and restrictions imposed by the Balanced Fund's then-current Registration Statement under the 1940 Act and the Fund's Declaration of Trust and By-Laws. Subject to such policies as the Board of Trustees and Green Century Capital may determine, Trillium maintains a continuous investment program for the Balanced Fund, including investment research and management with respect to the investment and reinvestment of the Balanced Fund's securities, and takes such steps as may be reasonably necessary to implement the same. Trillium applies the environmental and other screening criteria developed by Green Century Capital and the Board of Trustees, as provided in the Balanced Fund's then-current Registration Statement. Trillium furnishes at its own expense all services, facilities and personnel necessary in connection with its activities under the Subadvisory Agreement. The Subadvisory Agreement provides that Trillium may render services to others.

The Subadvisory Agreement provides that Trillium shall obtain for the Balanced Fund, in its best judgment, best available execution in executing the Balanced Fund's portfolio transactions, and shall direct orders in connection with the purchase and sale of the Balanced Fund's portfolio securities to broker-dealers that sell shares of the Balanced Fund only to the extent that placing such orders is in compliance with applicable laws. The Subadvisory Agreement also provides that Trillium may aggregate orders for the purchase or sale of portfolio securities for the Balanced Fund with orders for other portfolios managed by Trillium, provided that all securities purchased or proceeds of the sale of securities are allocated at the average execution price.

Green Century Capital and Trillium have entered into a Letter of Agreement (the "Letter") in connection with the Subadvisory Agreement. This Letter addresses the provision by Trillium of certain marketing support services to promote the Balanced Fund, provides that Trillium will not act as a sponsor, administrator or adviser to any other socially or environmentally responsible mutual fund while serving as the subadviser to the Balanced Fund, and provides that Trillium will not act as a subadviser to any directly competitive mutual fund except in certain circumstances.

Green Century Capital pays to Trillium, as full compensation for services rendered and expenses borne by Trillium, a monthly fee equal on an annual basis to 0.40% of the value of the average daily net assets of the Balanced Fund up to \$30 million, and 0.35% of the value of the average daily net assets of the Balanced Fund in excess of \$30 million. Such fee is accrued daily and payable following the end of each quarter.

For the fiscal years ended July 31, 2007, 2008 and 2009, the Adviser paid Trillium subadvisory fees aggregating \$201,421, \$198,499 and \$168,827, respectively.

Cheryl Smith, Stephanie Leighton and Matthew Patsky (together, the “Portfolio Managers”) are the portfolio manager team primarily responsible for the day-to-day investment management of the Balanced Fund. The following information regarding the Portfolio Managers, the other accounts that they manage, their compensation and potential conflicts of interest has been provided by Trillium.

Cheryl Smith has 23 years of investment experience in socially and environmentally responsible portfolio management, including experience managing one fixed income and two equity mutual funds. She previously served as the portfolio management team member primarily responsible for developing and implementing the Balanced Fund’s fixed income strategy. Ms. Smith leads Trillium’s fixed income investment process. She is a CFA Charterholder and holds a Ph.D. in Economics from Yale University.

Stephanie Leighton is primarily responsible for developing the buy list of equity securities for the Balanced Fund’s portfolio. She previously served as a back up portfolio manager of the Balanced Fund and provided additional equity analysis since June 2009. Ms. Leighton currently serves as Chief Investment Officer and Director of Equity Research at Trillium. She has over 20 years of investment experience including 15 years managing socially responsible institutional and individual portfolios. She is a CFA Charterholder and holds an MBA from Northeastern University.

Matthew Patsky has over 25 years of experience in investment research and investment management. Mr. Patsky was most recently employed by Winslow Management Company (“Winslow”) in Boston, where he served as its director of research, chairman of the investment committee and portfolio manager for the Green Solutions Strategy and the Winslow Green Solutions Fund. While at Winslow, he co-managed the Green Century Balanced Fund in 2005. Mr. Patsky was previously the Director of Equity Research for Adams, Harkness & Hill, where he built that firm’s research capabilities in socially and environmentally responsible areas, including renewable energy, resource optimization, and organic and natural products. He is a CFA Charterholder and holds a degree in Economics from Rensselaer Polytechnic Institute.

Information Concerning Accounts Managed by the Portfolio Managers -- As of October 31, 2009, Mses. Smith and Leighton and Mr. Patsky did not act as portfolio managers for any other investment company or for any other pooled investment vehicle. As of October 31, 2009, Mses. Smith and Leighton and Mr. Patsky also acted as portfolio managers for 406 other accounts with assets totaling \$419 million. Of these 406 accounts, Ms. Smith managed 197, with assets totaling \$209 million, Ms. Leighton managed 207, with assets totaling \$198 million and Mr. Patsky managed 2, with assets totaling \$12 million. None of the accounts pay a performance based advisory fee.

Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one account. More specifically, the Balanced Fund’s portfolio managers, who manage multiple accounts, are presented with the following potential conflicts:

- The management of multiple accounts may result in a portfolio manager devoting unequal time and attention to the management of the Balanced Fund and/or other accounts. Most other accounts managed by a portfolio manager are managed using the same investment models that are used in connection with the management of the Balanced Fund. Nevertheless, Trillium seeks to manage any competing interests for the time and attention of portfolio managers by

- having primary and back-up portfolio managers assigned to each account. Trillium also maintains a Code of Ethics to detect and prevent activities of employees that would result in a breach of the portfolio managers' fiduciary duties to the Balanced Fund.
- If a portfolio manager identifies a limited investment opportunity that may be suitable for more than one account, the Balanced Fund may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible funds and other accounts. To address this situation, Trillium has adopted procedures for allocating portfolio transactions across multiple accounts.
 - With respect to securities transactions for the Balanced Fund, Trillium determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. However, with respect to certain other accounts managed for organizations and individuals, Trillium may be limited by the client with respect to the selection of brokers or may be instructed to direct trades through a particular broker. In these cases, Trillium may place separate, non-simultaneous, transactions for another account that may temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of the Balanced Fund or other account. To address this situation, Trillium maintains a trading policy procedure under which trade orders are blocked where appropriate based on the security involved, the size of the aggregated orders, and the broker-dealer requirements. In the event a number of trades are received at the same time, block trades with no directed broker involved are executed before trades directed to a particular broker by client instruction.

As set forth above, Trillium has adopted certain compliance procedures that are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

Information Concerning Compensation of Portfolio Managers -- The compensation of Mses. Smith and Leighton and Mr. Patsky is comprised of a fixed base salary, participation in a firm-wide bonus pool based on operating earnings, and participation in a discretionary investment professional bonus determined by the management and Board of Trillium. Factors influencing the discretionary bonus include work contribution, consistency of investment performance with overall firm investment disciplines, client retention, idea generation, and overall performance of Trillium. Management's assessment of performance is not tied to the performance of specific accounts. Salary and bonus are paid in cash. In late 2007, Trillium employees with greater than five years' tenure at Trillium as of September 30, 2007 were issued options on Trillium shares; Mses. Smith and Leighton received such options.

Portfolio Manager Ownership in the Fund -- As of October 31, 2009, Ms. Smith owned between \$1 and \$10,000, Ms. Leighton owned between \$10,001 and \$50,000, and Mr. Patsky did not own any equity securities in the Balanced Fund.

Equity Fund and Domini Trust

Equity Fund Investment Adviser. Under an Investment Advisory Agreement dated as of November 28, 2006 (the "Advisory Agreement") and subject to the general supervision of the Trust's Trustees and in conformance with the respective stated policies of the Equity Fund, Green Century Capital provides general investment advice to the Equity Fund.

The Advisory Agreement provides that it will continue for a period of two years from the date of the Advisory Agreement and indefinitely if its continuance is specifically approved at least annually thereafter by the vote of the holders of a majority of the outstanding voting securities of the Equity Fund or by vote of a majority of the Trust's Board of Trustees; and provided further that such continuance is also approved annually by the vote of a majority of the Trustees who are not parties to the Advisory Agreement or interested persons of the Trust's Adviser, cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement may be terminated at any time without payment of any penalty, by the Trust's Board of Trustees or by a vote of the majority of the outstanding voting securities of the Fund upon 60 days' prior written notice to the Adviser and by the Adviser upon 60 days' prior written notice to the Trust. The Advisory Agreement provides that it shall terminate automatically in the event of its assignment.

The Advisory Agreement further provides that absent willful misfeasance, bad faith, gross negligence, or reckless disregard of obligations or duties under the Advisory Agreement on the part of the Adviser, the Adviser shall not be subject to liability to the Trust or to any shareholder of the Fund for any act or omission in the course of, or in connection with, rendering services under the Advisory Agreement or for any losses that may be sustained in the purchase, holding or sale of any security. The Advisory Agreement also provides that the services of the Adviser are not deemed exclusive and that the Adviser may render similar services to others.

Under the Advisory Agreement, the Trust has agreed that the names "Green Century Funds" and "Green Century" are proprietary to the Adviser.

Green Century Capital is wholly owned by Paradigm Partners, a California general Partnership, the partners of which are all not-for-profit advocacy organizations. MASSPIRG owns approximately 46% of Paradigm Partners.

As compensation for the services rendered and obligations assumed by the Adviser, the Trust pays to the Adviser a monthly fee equal on an annual basis to 0.25% of the average daily net assets of the Equity Fund up to but not including \$100 million, 0.22% of the average daily net assets of the Equity Fund from and including \$100 million up to but not including \$500 million, 0.17% of the average daily net assets of the Equity Fund from and including \$500 million up to but not including \$1 billion, and 0.12% of the average daily net assets of the Equity Fund equal to or in to or in excess of \$1 billion, computed and accrued daily. For the fiscal years ended July 31, 2007, 2008 and 2009, the Equity Fund incurred advisory fees aggregating \$69,036, \$107,617 and \$94,958, respectively.

Prior to November 28, 2006, the Equity Fund did not retain the services of an investment adviser or investment subadviser since the Fund sought to achieve its investment objective by investing all its assets in the Domini Social Equity Trust ("Domini Trust"). The Domini Trust retained the services of Domini Social Investments, LLC ("DSIL") as manager and SSgA Funds Management, Inc. ("SSgA") as submanager for the Domini Trust.

The KLD400 Index (formerly the "Domini 400 SocialSM Index") is licensed to Green Century Capital effective November 28, 2006. Prior to November 28, 2006, the Domini 400 SocialSM Index was licensed to DSIL. KLD is the owner of the Index, but is not the manager of the Equity Fund and was not the manager of the Domini Trust. Pursuant to an agreement among KLD and Green Century Capital, the Equity Fund

may be required to discontinue the use of the KLD400 Index if the license agreement between KLD and Green Century Capital is terminated.

Equity Fund Subadviser. Green Century Capital has entered into an Investment Subadvisory Agreement on behalf of the Equity Fund with Mellon Capital dated as of November 28, 2006. Effective December 31, 2007, Mellon Capital and its affiliate Mellon Equity Associates, LLP ("Mellon Equity"), the prior subadviser for the Equity Fund, were merged into one investment advisory firm, Mellon Capital, which remains a wholly owned, indirect subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"). BNY Mellon merged Mellon Equity and Mellon Capital in order to simplify and streamline its subsidiaries' corporate structure. The terms of the Investment Subadvisory Agreement between Green Century Capital Management, Mellon Equity, and the Funds, on behalf of the Equity Fund, did not change as a result of the merger. Pursuant to the Subadvisory Agreement, Mellon Capital implements the daily portfolio transactions necessary to maintain the proper correlation between the assets of the Equity Fund and the KLD400 Index, subject always to the provisions of the 1940 Act and to the investment objective, policies and restrictions imposed by the Equity Fund's then-current Registration Statement under the 1940 Act and the Fund's Declaration of Trust and By-Laws. Mellon Capital does not determine the composition of the KLD400 Index. Mellon Capital also provides Green Century Capital and the Board of Trustees with such reports and data as may be requested from time to time. Mellon Capital furnishes at its own expense all services, facilities and personnel necessary in connection with its activities under the Subadvisory Agreement. The Subadvisory Agreement provides that Mellon Capital may render services to others.

Mellon Capital, with principal offices located at 50 Fremont Street, San Francisco, CA 94105 and offices at 500 Grant Street, Suite 4200, Pittsburgh, PA 15258, is an independently operated, indirect, wholly owned-subsubsidiary of BNY Mellon, organized as a Pennsylvania limited liability partnership. Mellon Capital is directly owned by MBC Investment Corporation, a holding company, which is incorporated in Greenville, DE. MBC Investment Corporation is directly owned by BNY Mellon. The firm's proprietary investment process, developed in 1982 by current principal officers of the firm, has been used to manage domestic equity accounts for U.S. tax-exempt clients since January 1983. The firm became a separate legal entity from the equity management group of the Mellon Bank Trust Department in January 1987, managing domestic equity accounts for U.S. tax-exempt clients. The firm was registered as an investment advisor in 1986 and became a separate legal entity in 1987. As of September 30, 2009, Mellon Capital managed approximately \$169.7 billion in assets, including approximately \$29 billion in socially responsible portfolios for 156 accounts.

The Subadvisory Agreement was approved by the shareholders of the Equity Fund at a Special Meeting held on November 6, 2006 and became effective on November 28, 2006 and will continue in effect if such continuance is specifically approved at least annually by vote of the holders of a "majority of the outstanding voting securities" (as defined in the 1940 Act) of the Equity Fund or by vote of a majority of the Fund's Board of Trustees, and in either case by the vote of a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act) at a meeting called for the purpose of voting on the Subadvisory Agreement. The Subadvisory Agreement may be terminated without penalty (i) by the Equity Fund's Board of Trustees or by a vote of a majority of the outstanding voting securities of the Equity Fund on not more than 60 days' nor less than 30 days' prior written notice to Mellon Capital and Green Century Capital, (ii) by Green Century Capital upon not more than 60 days' nor less than 30 days' prior written notice to the Equity Fund and Mellon Capital or (iii) by Mellon Capital upon not less than 180 days' prior

written notice to the Equity Fund and Green Century Capital. The Subadvisory Agreement will automatically terminate in the event of its assignment. The Subadvisory Agreement provides that Mellon Capital is not liable for any error of judgment or for any act or omission in the execution of securities transactions for the Equity Fund, except for willful misfeasance, bad faith, negligence, violation of law or reckless disregard of its obligations and duties under the Subadvisory Agreement.

The Subadvisory Agreement provides that Mellon Capital will obtain for the Equity Fund, in its judgment, best available execution in executing the Equity Fund's portfolio transactions, and shall direct orders in connection with the purchase and sale of the Equity Fund's portfolio securities to broker-dealers that sell shares of the Equity Fund only to the extent that placing such orders is in compliance with applicable laws. The Subadvisory Agreement provides that Mellon Capital may not use commissions paid to broker-dealers in connection with the purchase or sale of Fund securities to generate "soft dollars". The Subadvisory Agreement provides that Mellon Capital may aggregate orders for the purchase or sale of portfolio securities for the Equity Fund with orders for other portfolios managed by Mellon Capital, provided that all securities purchased or proceeds of the sale of securities are allocated at the average execution price.

Green Century Capital pays to Mellon Capital, as full compensation for services rendered and expenses borne by Mellon Capital, a fee equal on an annual basis to the greater of \$50,000, or 0.08% of the value of the average daily net assets of the Fund up to but not including \$100 million, 0.05% of the average daily net assets of the Fund from and including \$100 million up to but not including \$500 million, 0.02% of the average daily net assets of the Fund from and including \$500 million up to but not including \$1 billion and 0.01% of the average daily net assets of the Fund equal to or in excess of \$1 billion. Such fee is accrued daily and payable following the end of each calendar quarter. For the fiscal years ended July 31, 2007, 2008 and 2009, the Equity Fund incurred subadvisory fees aggregating \$33,699, \$50,000 and \$50,000, respectively.

The Equity Fund is subadvised by a team of two portfolio managers at Mellon Capital. Thomas J. Durante and Lynn A. Hutchison (together, the "Portfolio Managers") are primarily responsible for the day-to-day investment management of the Fund. The following information regarding the Portfolio Managers, the other accounts that they manage, their compensation, and potential conflicts of interest has been provided by Mellon Capital.

The Equity Fund's primary Portfolio Manager is Thomas J. Durante, CFA. Mr. Durante has been employed as a portfolio manager with Mellon Capital and its predecessor Mellon Equity since 2000; prior to joining the firm, Mr. Durante was a controller of funds at Dreyfus Corporation for over 18 years. As a senior portfolio manager at Mellon Capital, Mr. Durante manages the firm's equity indexed products and some of the firm's larger socially responsible portfolios.

Lynn A. Hutchison also serves as a Portfolio Manager for the Equity Fund. Ms. Hutchison has been employed by Mellon Capital and its predecessor Mellon Equity since 2000; her prior professional experience includes two years as a financial analyst at HealthAmerican and positions as a control analyst and as a cash manager for Mellon Financial Corporation. At Mellon Capital, Ms. Hutchison's responsibilities include tracking index changes, ensuring the timely resolution of corporate actions, and providing detailed portfolio attribution analyses.

Information Concerning Accounts Managed by the Portfolio Managers – As of July 31, 2009, Mr. Durante, assisted by Ms. Hutchison, served as the Portfolio Manager for 129 other registered investment companies with total assets of \$23.8 billion. As of July 31, 2009, Mr. Durante, assisted by Ms. Hutchison, served as the Portfolio Manager for 52 other pooled investment vehicles with total assets of \$ 43.7 billion and as the Portfolio Manager for 81 other accounts with total assets of \$ 25.2 billion. None of these accounts pay performance-based fees. Mellon Capital reports accounts and assets managed by portfolio managers on a team approach. All members of the team report the same number of accounts and assets. Ms. Hutchinson does not serve as the primary Portfolio Manager for any accounts.

A Portfolio Manager may be subject to potential conflicts of interest because he or she is responsible for other accounts in addition to the Equity Fund. Potential conflicts may arise out of (a) the Portfolio Manager's execution of different investment strategies for various accounts or (b) the allocation of investment opportunities among the Portfolio Manager's accounts with the same strategy.

A potential conflict of interest may arise as a result of the Portfolio Manager's responsibility for multiple accounts with similar investment guidelines. Under these circumstances, a potential investment may be suitable for more than one of the Portfolio Manager's accounts, but the quantity of the investment available for purchase is less than the aggregate amount the accounts would ideally devote to the opportunity. Similar conflicts may arise when multiple accounts seek to dispose of the same investment. The Portfolio Manager may also manage accounts whose objectives and policies differ from that of the Fund. These differences may be such that under certain circumstances, trading activity appropriate for one account managed by the Portfolio Manager may have adverse consequences for another account managed by the Portfolio Manager. For example, an account may sell a significant position in a security, which could cause the market price of that security to decrease, while the Fund maintained its position in that security.

A potential conflict may arise when the Portfolio Manager is responsible for accounts that have different advisory fees – the difference in fees could create an incentive for the Portfolio Manager to favor one account over another, for example, in terms of access to investment opportunities. This conflict may be heightened if an account is subject to a performance-based fee. Another potential conflict may arise when the Portfolio Manager has an investment in one or more accounts that participates in transactions with other accounts. His or her investment(s) may create an incentive for the portfolio manager to favor one account over another. Mellon Capital has adopted policies and procedures reasonably designed to address these potential material conflicts. For instance, portfolio managers within Mellon Capital are normally responsible for all accounts within a certain investment discipline, and do not, absent special circumstances, differentiate among the various accounts when allocating resources. Additionally, Mellon Capital and its advisory affiliates utilize a system for allocating investment opportunities among portfolios that is designed to provide a fair and equitable allocation.

Information Concerning Compensation of Portfolio Managers – The primary objectives of the Mellon Capital compensation plans are to:

- Motivate and reward continued growth and profitability
- Attract and retain high-performing individuals critical to the on-going success of Mellon Capital
- Motivate and reward strong business/investment performance
- Create an ownership mentality for all employees

The investment professionals' cash compensation is comprised primarily of a market-based base salary and (variable) incentives (annual and long term). An investment professional's base salary is determined by the employees' experience and performance in the role, taking into account the ongoing compensation benchmark analyses. A portfolio manager's base salary is generally a fixed amount that may change as a result of an annual review, upon assumption of new duties, or when a market adjustment of the position occurs. Funding for the Mellon Capital Annual Incentive Plan and Long Term Incentive Plan is through a pre-determined fixed percentage of overall Mellon Capital profitability. Therefore, all bonus awards are based initially on Mellon Capital's financial performance. The employees are eligible to receive annual cash bonus awards from the Annual Incentive Plan. Annual incentive opportunities are pre-established for each individual, expressed as a percentage of base salary ("target awards"). These targets are derived based on a review of competitive market data for each position annually. Annual awards are determined by applying multiples to this target award. Awards are 100% discretionary. Factors considered in awards include individual performance, team performance, investment performance of the associated portfolio(s) and qualitative behavioral factors. Other factors considered in determining the award are the asset size and revenue growth/retention of the products managed. Awards are paid in cash on an annual basis.

All key staff of Mellon Capital are also eligible to participate in the Mellon Capital Long Term Incentive Plan. These positions have a high level of accountability and a large impact on the success of the business due to the position's scope and overall responsibility. In addition, the participants have demonstrated a long-term performance track record and have the potential for a continued leadership role. This plan provides for an annual award, payable in cash after a three-year cliff vesting period. The value of the award increases during the vesting period based upon the growth in Mellon Capital's net income.

Mellon Capital's portfolio managers responsible for managing mutual funds are paid by Mellon Capital and not by the mutual funds. The same methodology described above is used to determine portfolio manager compensation with respect to the management of mutual funds and other accounts.

Mutual fund portfolio managers are also eligible for the standard retirement benefits and health and welfare benefits available to all Mellon Capital employees. Certain portfolio managers may be eligible for additional retirement benefits under several supplemental retirement plans that Mellon Capital provides to restore dollar-for-dollar the benefits of management employees that had been cut back solely as a result of certain limits due to the tax laws. These plans are structured to provide the same retirement benefits as the standard retirement benefits. In addition, mutual fund portfolio managers whose compensation exceeds certain limits may elect to defer a portion of their salary and/or bonus under The Bank of New York Mellon Corporation Deferred Compensation Plan for Employees.

Portfolio Manager Ownership in the Fund – As of July 31, 2009, neither Mr. Durante nor Ms. Hutchison owned any shares of the Equity Fund.

Domini Trust Investment Manager. Pursuant to a Management Agreement dated and effective as of October 22, 1997 (the "Management Agreement") between the Domini Trust and DSIL, DSIL provided investment supervisory and administrative services to the Domini Trust, in which the Equity Fund was invested until November 28, 2006. The services provided by DSIL consist of investment supervisory services, overall operational support and administrative services.

For its services under the Management Agreement, DSIL received a fee equal on an annual basis to 0.20% of the Domini Trust's average daily net assets. For the period August 1, 2006 to November 27, 2006, DSIL received management fees of \$962,679.

Domini Trust Investment Submanager. Prior to November 30, 2006, SSgA managed the assets of the Domini Trust pursuant to an Investment Submanagement Agreement. The Submanager furnished at its own expense all services, facilities and personnel necessary in connection with managing the Domini Trust's investments and effecting securities transactions for the Domini Trust.

Under the Submanagement Agreement, Domini paid SSgA an annual investment submanagement fee equal to the greater of \$300,000 or the fee based on the following schedule:

- 0.02% of the first \$1 billion of net assets managed
- 0.01% of the next \$1 billion of net assets managed
- 0.0075% of net assets managed in excess of \$2 billion

ADMINISTRATOR, SUBADMINISTRATOR, TRANSFER AGENT AND CUSTODIAN, AND EXPENSES

Administrator. Pursuant to an Administrative Services Agreement dated April 7, 1995, as amended, between the Trust and Green Century Capital (the "Administration Agreement"), Green Century Capital, as the Trust's administrator (the "Administrator"), provides the Trust with general office facilities and supervises the overall administration of the Trust, including, among other responsibilities, the negotiation of contracts and fees with, and the monitoring of performance and billings of, the Trust's independent contractors and agents; the preparation and filing of all documents required for compliance by the Trust with applicable laws and regulations; and arranging for the maintenance of books and records of the Trust. As described in the Prospectus, the Administrator also pays, pursuant to the Administration Agreement, all the operating expenses of each Fund other than the Funds' investment advisory fees, if any, fees under the Distribution Plan, if any, interest, taxes, brokerage costs and other capital expenses, expenses of the non-interested Trustees of the Funds (including counsel fees) and any extraordinary expenses.

Green Century Capital was founded in 1991 by a partnership of not-for-profit environmental advocacy organizations for the following purposes: to provide quality environmentally responsible investment opportunities to the members of its founding organizations and other environmentally conscious investors; to generate revenue to support the research and advocacy work of its founding organizations; and to work in tandem with its founding organizations and others to promote greater corporate environmental responsibility by advocating that companies improve their environmental performance. As do the advocacy organizations that founded Green Century Capital, Green Century Capital upholds the right of people to speak for the public interest and corporate responsibility. Green Century Capital's mission – to promote corporate environmental responsibility and to foster a sustainable economy --- has remained unchanged since its founding.

The Administration Agreement provides that it shall remain in force until terminated. The Administration Agreement may be terminated as to any Fund at any time, without the payment of any penalty, by the Board of Trustees of the Trust or by the Administrator, in each case on not less than 30 days' written notice to the other party. The Administration Agreement further provides that the Administrator shall not be liable for any error of

judgment or mistake of law or for any act or omission in the administration or management of the Trust or the performance of its duties, except for willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of the reckless disregard of its obligations and duties.

For such administrative services, the Administrator receives a fee from the Balanced Fund at a rate such that immediately following any payment to the Administrator, the total operating expenses of the Balanced Fund (including investment advisory and distribution fees), on an annual basis, do not exceed 1.38% of the Balanced Fund's average daily net assets. Prior to August 25, 2006, the Administrator received a fee from the Balanced Fund at a rate such that immediately following any payment to the Administrator, the total operating expenses of the Balanced Fund (including investment advisory and distribution fees), on an annual basis, did not exceed 2.50% of the Balanced Fund's average daily net assets up to \$30 million, 2.25% on average net assets from \$30 million to \$100 million, and 1.75% on average net assets in excess of \$100 million. The Administrator receives a fee from the Equity Fund at a rate such that immediately following any payment to the Administrator, the total operating expenses of the Fund (and prior to November 28, 2006, the combined total operating expenses of the Fund and the Domini Trust) (including investment advisory fees and any amortization of organization expenses), on an annual basis, do not exceed 0.95% of the Equity Fund's average daily net assets. Prior to August 4, 2006, the Administrator received a fee from the Equity Fund at a rate such that immediately following any payment to the Administrator, the combined total operating expenses of the Fund and the Domini Trust (including investment advisory fees and any amortization of organization expenses), on an annual basis, did not exceed 1.50% of the Equity Fund's average daily net assets.

For the fiscal years ended July 31, 2007, 2008 and 2009, the Balanced Fund accrued administrative fees aggregating \$363,188, \$382,569 and \$320,955, respectively. For the fiscal years ended July 31, 2007, 2008 and 2009, the Equity Fund accrued administrative service fees to the Administrator of the Trust aggregating \$278,939, \$301,055 and \$266,558, respectively.

Subadministrator. Pursuant to a Subadministration Agreement dated July 7, 1997, as amended, (the "Subadministration Agreement"), between the Administrator and UMB Fund Services, Inc. ("UMBFS"), UMBFS provides certain day-to-day administrative services to the Trust, under the supervision and direction of the Administrator of the Trust. The Subadministration Agreement provides that it shall continue in effect for successive annual periods until terminated. The Agreement may be terminated at any time with respect to any one or both Funds without penalty (i) upon mutual consent of the parties, or (ii) by either party upon not less than ninety (90) days' written notice.

The Subadministration Agreement provides further that UMBFS shall not be liable for any error of judgment or mistake of law or for any loss suffered by Green Century Capital or the Funds in connection with the matters to which the Agreement relates, except for a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under the Subadministration Agreement.

Effective August 1, 2000, at average net assets of each Fund up to \$125,000,000, UMBFS receives an annual base fee of \$25,000 per Fund, as well as a fee based on each Fund's average net assets beginning at the annual rate of 0.11% on the first \$50,000,000 of average net assets and decreasing as assets reach certain levels, subject to an annual minimum fee for each Fund of \$40,500. The minimum annual fee increases 5% each year thereafter. At average net assets of each Fund greater than \$125,000,000, UMBFS receives a fee

based on each Fund's average net assets beginning at the annual rate of 0.13% on the first \$50,000,000 of average net assets and decreasing as assets reach certain levels, subject to an annual minimum fee for each Fund of \$40,500. The minimum annual fee increases 5% each year thereafter. UMBFS will not receive an annual base fee once each Fund's average net assets reach \$125,000,000. For the fiscal years ended July 31, 2007, 2008 and 2009, the Administrator paid fees of \$81,632, \$81,987 and \$84,836, respectively, to UMBFS relating to services performed on behalf of the Balanced Fund. For the years ended July 31, 2007, 2008 and 2009, the Administrator paid fees of \$79,273 \$81,987 and \$84,836, respectively, to UMBFS relating to services performed on behalf of the Equity Fund.

Transfer Agent. Effective November 16, 1998, the Trust entered into a transfer agency agreement with Unified Fund Services, Inc. ("Unified") pursuant to which Unified acts as transfer agent for the Trust (the "Transfer Agent"). Unified maintains an account for each shareholder of each Fund, performs other transfer agency functions and acts as dividend disbursing agent for each Fund.

Custodian. Pursuant to a Custodian Agreement with the Trust, State Street Bank and Trust Company ("State Street") acts as the custodian of the Funds' assets (i.e., cash and securities) (the "Custodian"). The Custodian's responsibilities include safeguarding and controlling the Funds' cash and securities, handling the receipt and delivery of securities, determining income and collecting interest on the Funds' investments, maintaining books of original entry for portfolio and fund accounting and other required books and accounts, and calculating the daily net asset value of shares in each Fund. Securities held by the Funds may be deposited into certain securities depositories. The Custodian does not determine the investment policies of the Funds nor does the Custodian decide which securities the Funds will buy or sell. For its services, State Street receives such compensation as may from time to time be agreed upon by it and the Funds. Prior to July 2, 2007, Investors Bank & Trust Company ("IBT") served as the Funds' Custodian. As of July 2, 2007, State Street Corporation acquired Investors Financial Services Corp., the parent company of IBT.

Distributor. UMB Distribution Services, LLC ("the Distributor") acts as the agent of the Trust in connection with the offering of shares of the Balanced Fund and the Equity Fund pursuant to a Distribution Agreement.

FINANCIAL INTERMEDIARIES

Green Century Capital may enter into contracts with banks, brokers and other financial intermediaries ("Financial Intermediary"). When a customer of the Financial Intermediary purchases or redeems shares through that Financial Intermediary (and/or through designated intermediaries of the Financial Intermediary) it provides certain services such as: (1) necessary personnel and facilities to establish and maintain certain shareholders accounts and records enabling it to hold, as agent, its customers' shares in its name or its nominee name on the shareholder records of the Green Century Funds; (2) assists in processing purchase and redemption transactions; (3) arranges for the wiring of funds; (4) transmits and receives funds in connection with customer orders to purchase or redeem shares of the Funds; (5) provides periodic statements showing a customer's account balance and, to the extent practicable, integrates such information with information concerning other customer transactions otherwise effected with or through it; (6) furnishes, either separately or on an integrated basis with other reports sent to a customer, monthly and annual statements and confirmations of all purchases and redemptions of Fund shares in a customer's account; (7) transmits proxy statements, annual reports, updated prospectuses and

other communications from the Green Century Funds to its customers; (8) and receives, tabulates and transmits to the Green Century Funds proxies executed by its customers with respect to meetings of shareholders of the Funds. For these services, the Financial Intermediary receives fees from Green Century Capital as agreed upon from time to time between Green Century Capital and such Financial Intermediary.

An investor who has an account with a Financial Intermediary may place purchase orders for Fund shares with the Green Century Funds through that Financial Intermediary. Subject to applicable law, the Funds will be deemed to have received the purchase or redemption order for Fund shares when a Financial Intermediary or its designated intermediary accepts the purchase or redemption order and such orders will be priced at each Fund's net asset value after the acceptance of the purchase or redemption order by a Financial Intermediary or its designated intermediary.

Note, however, that if shares are redeemed within 60 days of purchase, or acquisition through exchange, a redemption fee equal to 2% of the net asset value of the shares redeemed will be charged. The fee is charged for the benefit of remaining shareholders and will be paid to a Fund to help offset transaction costs a Fund may incur due to excess short-term trading in a Fund. To calculate redemption fees, a Fund will use the first-in, first-out (FIFO) method to determine which shares are being redeemed. Under this method, the date of the redemption will be compared with the earliest purchase date shares were acquired for the account. The Funds reserve the right to modify the terms of, or terminate, the fee at any time. In some cases, the Funds may be offered through certain Financial Intermediaries whose redemption fee policies may differ from those of the Funds. Shareholders who purchase through Financial Intermediaries may be subject to that Financial Intermediary's policies on redemption fees and market timing.

Each Financial Intermediary may establish and amend from time to time a minimum initial and a minimum subsequent purchase requirement for its customers. A transaction or other fee may be charged by a Financial Intermediary on the purchase of Fund shares. Each Financial Intermediary may establish its own policy with respect to the reinvestment of dividends and capital gains distributions in additional Fund shares. Shares held by a Financial Intermediary on behalf of a shareholder must be redeemed through that Financial Intermediary. A transaction or other fee may be charged by a Financial Intermediary on the redemption of Fund shares.

NET ASSET VALUE; REDEMPTION IN KIND

The net asset value ("NAV") of each Fund's shares is determined each day the NYSE is open for trading ("Fund Business Day"). (As of the date of this SAI, the NYSE is open for trading every weekday except in an emergency and on the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.) This determination of NAV of shares of the Fund is made once during each such day as of the close of regular trading of the NYSE (usually 4:00 p.m., Eastern Time) in the case of the Funds by deducting the amount of each Fund's liabilities from the value of its assets and dividing the difference by the number of shares of the Fund outstanding at the time the determination is made.

Valuation Procedures:—The investments held by each of the Green Century Funds are valued as per the procedures set forth below:

- Equity securities listed on national securities exchanges other than NASDAQ are valued at last sale price as of the close of trading of the NYSE. Securities listed on national securities exchanges other than NASDAQ for which last sale prices are not available are valued at the mean between the closing bid and closing asked prices.
- NASDAQ National Market[®] and Small CapSM securities are valued at the NASDAQ Official Closing Price (“NOCP”). The NOCP is based on the last traded price if it falls within the concurrent best bid and ask prices and is normalized pursuant to NASDAQ’s published procedures if it falls outside this range. If an NOCP is not available for any such security, the security will be valued at the last sale price or, if there have been no sales that day, at the mean between the current bid and ask price.
- OTC Bulletin Board securities are valued at the last reported trade prices in accordance with NASDAQ procedures or, if there is no sale of such a security on that day, at the mean between the current bid and current ask price.
- Unlisted securities are valued at the last sale price or, when last sale prices are not available, at the last quoted bid price.
- Debt securities (other than short-term obligations maturing in 60 days or less) are valued on the basis of valuations furnished by a pricing service which takes into account appropriate factors such as institution-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, and other market data, without exclusive reliance on quoted prices or exchange or over-the-counter prices, since such valuations are believed to reflect more accurately the fair value of the securities.
- Certificates of Deposit are valued at par plus accrued interest.
- Short-term obligations maturing in 60 days or less are valued at amortized cost.
- All other securities not listed above and all securities for which current market quotations are not readily available are valued at “fair value” as determined in good faith under the guidelines that have been established by the Board of Trustees of the Green Century Funds.

The frequency with which each Fund’s investments will be valued using fair value pricing is primarily a function of the types of securities and other assets in which each Fund invests pursuant to its investment objective, strategies and limitations.

Investments that may be valued using fair value pricing include, but are not limited to the following: (i) an unlisted security related to corporate actions, (ii) a restricted security (i.e., one that may not be publicly sold without registration under the 1933 Act), (iii) a security whose trading has been suspended or that has been delisted from its primary trading exchange, (iv) a security that is thinly traded, (v) a security in default or bankruptcy proceedings for which there is no current market quotation, (vi) a security affected by extreme market conditions, (vii) a security affected by currency controls or restrictions, and (viii) a security affected by a significant event (i.e., an event that occurs after the close of the markets on which the security is traded but before the time as of which a Fund’s net asset value is computed and that may materially affect the value of the Fund). Examples of events that may be “significant events” are government actions, natural disasters, armed conflict, acts of terrorism, and significant market fluctuations.

While no single standard for determining fair value exists, as a general rule, the current fair value of a security would appear to be the amount that a Fund would expect to receive upon its current sale. Some, but not necessarily all, of the general factors that may be considered in determining fair value include: (a)

the fundamental analytical data relating to the investment, (b) the nature and duration of restrictions on disposition of the securities, and (c) an evaluation of the forces that influence the market in which these securities are purchased and sold. Without limiting or including all of the specific factors that may be considered in determining fair value, some of the specific factors include: type of security, financial statements of the issuer, cost at date of purchase, size of holding, discount from market value, value of unrestricted securities of the same class at the time of purchase, special reports prepared by analysts, information as to any transactions or offers with respect to the security, existence of merger proposals or tender offers affecting the security, price and extent of public trading in similar securities of the issuer or comparable companies, and other relevant matters.

Valuing a Fund's investments using fair value pricing will result in using prices for those investments that may differ from current market prices. In addition, fair value pricing could have the benefit of reducing potential arbitrage opportunities presented by a lag between a change in the value of a Fund's investments and the reflection of that change in a Fund's net asset value.

Subject to the Trust's compliance with applicable regulations, the Trust has reserved the right to pay the redemption price of shares of the Balanced Fund, either totally or partially, by a distribution in kind of portfolio securities (instead of cash). The securities so distributed would be valued at the same amount as that assigned to them in calculating the net asset value for the shares being sold. If a shareholder received a distribution in kind, the shareholder could incur brokerage or other charges in converting the securities to cash. The Trust has elected, however, to be governed by Rule 18f-1 under the 1940 Act with respect to the Balanced Fund, as a result of which the Trust is obligated with respect to any one investor during any 90 day period to redeem shares of the Balanced Fund solely in cash up to the lesser of \$250,000 or 1% of the Fund's net assets at the beginning of such 90 day period.

INCOME TAXES

The following discussion is a brief summary of some of the important federal (and, where noted, state) income tax consequences affecting the Funds and their shareholders. The discussion is very general, and therefore prospective investors are urged to consult their tax advisors about the impact an investment in a Fund may have on their own tax situations.

Taxation of the Funds

Each Fund has elected to be, and intends to qualify to be treated each year as, a separate "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). As long as a Fund qualifies for treatment as a "regulated investment company" under the Code, that Fund will not be subject to federal income taxes on amounts distributed to shareholders, and it will not be required to pay Massachusetts income or excise taxes.

Qualification as a regulated investment company under the Code requires, among other things, that (a) at least 90% of a Fund's annual gross income, without offset for losses from the sale or other disposition of stock, securities, or foreign currencies, be derived from (i) dividends, interest, payments with respect to certain securities loans and gains from the sale or other disposition of stock, securities or (subject to certain

limitations) foreign currencies, other income derived with respect to its business of investing in such stock, securities or foreign currencies, and (ii) net income derived from an interest in a “qualified publicly traded partnership” as defined in the Code; and (b) the holdings of a Fund are diversified so that, at the end of each quarter of its taxable year, (i) at least 50% of the market value of a Fund's assets is represented by cash and cash items, receivables, U.S. Government securities, securities of other regulated investment companies and other securities (with such other securities limited in respect of any one issuer to an amount not greater than 5% of the Fund's assets and 10% of the outstanding voting securities of such issuer), and (ii) not more than 25% of the value of a Fund's assets is invested in the securities of any one issuer (other than U.S. Government securities and securities of other regulated investment companies), the securities of two or more issuers that the Fund controls and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses (other than securities of other regulated investment companies), or the securities of one or more “qualified publicly traded partnerships”. For purposes of the 90% of income test, the character of income earned by certain entities in which a Fund invests that are not treated as corporations for U.S. federal income tax purposes (e.g., partnerships other than certain publicly traded partnerships or trusts that have not elected to be classified as corporations under the check-the-box regulations) will generally pass through to the Fund. Consequently, in order to qualify as a regulated investment company, a Fund may be required to limit its equity investments in certain entities if those entities earn fee income, rental income or other nonqualifying income.

In addition, in order not to be subject to federal income tax on amounts distributed to shareholders, a Fund must distribute with respect to each year at least the sum of 90% of its net investment income and net short-term capital gains earned in each year and 90% of its net tax-exempt interest income, if any. If a Fund should fail to qualify for treatment as a “regulated investment company” in any year, the Fund would incur a regular corporate federal income tax upon its taxable income and Fund distributions would generally be taxable as dividend income to the shareholders. Under these circumstances, corporate shareholders may be eligible for the “dividends received deduction” in respect of those dividends and non-corporate shareholders may be subject to federal income taxation at reduced rates to the extent those dividends constitute “qualified dividend income”. (See “Taxation of Shareholders” below.)

If a Fund meets the distribution requirements, but chooses to retain some portion of its taxable income or gains, it generally will be subject to U.S. federal income tax at regular corporate rates on the amount retained. A Fund may designate certain amounts retained as undistributed net capital gain in a notice to its shareholders, who (i) will be required to include in income for U.S. federal income tax purposes, as long-term capital gain, their proportionate shares of the undistributed amount so designated, (ii) will be entitled to credit their proportionate shares of the federal income tax paid by the Fund on that undistributed amount against their federal income tax liabilities and to claim refunds to the extent such credits exceed their liabilities and (iii) will be entitled to increase their tax basis, for federal income tax purposes, in their shares by an amount equal to the excess of the amount of undistributed net capital gain included in their respective income over their respective income tax credits.

Under the Code, a Fund will be subject to a nondeductible 4% U.S. federal excise tax on a portion of its undistributed ordinary income and capital gain net income if it fails to meet certain distribution requirements with respect to each calendar year and year ending October 31, respectively. The Funds intend to make distributions in a timely manner and accordingly do not expect to be subject to the excise tax.

Taxation of Shareholders

Shareholders of the Funds will normally have to pay federal income taxes and any state or local income taxes on the dividends and capital gain distributions they receive from the Funds. Except as discussed below and assuming the distributing Fund has sufficient earnings and profits, dividends from ordinary income and any distributions from net short-term capital gains are taxable to shareholders as ordinary income for federal income tax purposes, whether the distributions are made in cash or reinvested in additional shares. For taxable years beginning before January 1, 2011, distributions of ordinary dividends to a Fund's non-corporate shareholders may be treated as "qualified dividend income", which is taxed at reduced rates, to the extent such distributions are derived from, and designated by a Fund as, "qualified dividend income". If 95% or more of a Fund's gross income, calculated without taking into account net capital gains, represents "qualified dividend income", a Fund may designate, and a Fund's non-corporate shareholders may then treat, all of those distributions as "qualified dividend income". "Qualified dividend income" generally is income derived from dividends from U.S. corporations or from "qualified foreign corporations", which are corporations that are either incorporated in a U.S. possession or eligible for benefits under certain U.S. tax treaties. Dividends of a foreign corporation that is not a "qualified foreign corporation" may nevertheless be treated as "qualified dividend income" if the stock with respect to which the dividend is paid is readily tradable on an established U.S. securities market. "Passive foreign investment companies" are not "qualified foreign corporations".

A dividend that is attributable to qualified dividend income of a Fund that is paid by the Fund to a shareholder will not be taxable as qualified dividend income to such shareholder (1) if the dividend is received with respect to any share of the Fund held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share became ex-dividend with respect to such dividend, (2) to the extent that the shareholder is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property, or (3) if the shareholder elects to have the dividend treated as investment income for purposes of the limitation on deductibility of investment interest. The "ex-dividend" date is the date on which the owner of the share at the commencement of such date is entitled to receive the next issued dividend payment for such share even if the share is sold by the owner on that date or thereafter.

If a Fund invests in equity securities of U.S. corporations, a portion of the Fund's ordinary income dividends will normally be eligible for the dividends-received deduction for corporations if the recipient otherwise qualifies for that deduction with respect to its holding of Fund shares. Availability of the deduction for a particular corporate shareholder is subject to certain limitations, and deducted amounts may be subject to the alternative minimum tax and result in certain basis adjustments. Distributions of net capital gains (i.e., the excess of net long-term capital gains over net short-term capital losses), whether made in cash or reinvested in additional shares, are taxable to shareholders as long-term capital gains for federal income tax purposes without regard to the length of time the shareholders have held their shares. For noncorporate shareholders, long-term capital gains are generally subject to U.S. federal income tax at reduced rates (currently, a maximum rate of 15%, with lower rates applying to taxpayers in the 10% and 15% rate brackets).

Under current law, the reduced maximum 15% U.S. federal income tax rate on qualified dividend income and long-term capital gains will not apply in tax years beginning after December 31, 2010.

Distributions by a Fund in excess of the Fund's current and accumulated earnings and profits will be treated as a return of capital to the extent of (and in reduction of) the shareholder's tax basis in its shares and any such amount in excess of that basis will be treated as gain from the sale of shares, as discussed below.

Although dividends generally will be treated as distributed when paid, any Fund dividend that is declared in October, November, or December of any calendar year, that is payable to shareholders of record in such a month, and that is paid the following January will be treated as if received by the shareholders on December 31 of the year in which the dividend was declared. In addition, certain other distributions made after the close of a taxable year of a Fund may be "spilled back" and treated for certain purposes as paid by the Fund during such taxable year. In such case, shareholders generally will be treated as having received such dividends in the taxable year in which the distributions were actually made. For purposes of calculating the amount of a regulated investment company's undistributed income and gain subject to the 4% excise tax described above, such "spilled back" dividends are treated as paid by the regulated investment company when they are actually paid.

The Funds will notify shareholders regarding the federal tax status of their respective distributions after the end of each calendar year.

Any Fund distribution will have the effect of reducing the per share net asset value of that Fund's shares by the amount of the distribution. Shareholders purchasing shares shortly before the record date of any such distribution may thus pay the full price for the shares and then effectively receive a portion of the purchase price back as a taxable distribution.

Disposition of Shares — Redemptions and exchanges generally are taxable events for shareholders that are subject to tax. Shareholders should consult their own tax advisers with reference to their individual circumstances to determine whether any particular transaction in a Fund's shares is properly treated as a sale for tax purposes, as the following discussion assumes, and the tax treatment of any gains or losses recognized in such transactions. In general, if Fund shares are sold, the shareholder will recognize gain or loss equal to the difference between the amount realized on the sale and the shareholder's adjusted basis in the shares. In general, any gain or loss realized on the disposition of Fund shares by a shareholder who holds such shares as a capital asset will be treated as long-term capital gain or loss if the shares have been held for more than one year, and otherwise as short-term capital gain or loss. However, any loss realized by a shareholder upon the disposition of Fund shares held six months or less will be treated as a long-term capital loss to the extent of any net capital gain distributions received by the shareholder with respect to such shares. Additionally, any loss realized on a disposition of Fund shares will be disallowed to the extent the shares disposed of are replaced within a period of 61 days beginning 30 days before such disposition, such as pursuant to reinvestment of a dividend or capital gains distribution in Fund shares.

Under Treasury regulations, if a shareholder recognizes a loss with respect to Fund shares of \$2 million or more for an individual shareholder, or \$10 million or more for a corporate shareholder, in any single taxable year (or certain greater amounts over a combination of years), the shareholder must file with the IRS a disclosure statement on Form 8886. Shareholders who own portfolio securities directly are in many cases excepted from this reporting requirement but, under current guidance, shareholders of

regulated investment companies are not excepted. A shareholder who fails to make the required disclosure to the IRS may be subject to substantial penalties. The fact that a loss is reportable under these regulations does not affect the legal determination of whether or not the taxpayer's treatment of the loss is proper. Shareholders should consult with their tax advisers to determine the applicability of these regulations in light of their individual circumstances.

Retirement Plans — Shareholders that are exempt from U.S. federal income tax, such as retirement plans that are qualified under Section 401 of the Code, generally are not subject to U.S. federal income tax on Fund dividends or distributions, or on sales or exchanges of Fund shares unless the Fund shares are “debt-financed property” within the meaning of the Code. However, in the case of Fund shares held through a non-qualified deferred compensation plan, Fund dividends and distributions received by the plan and sales and exchanges of fund shares by the plan generally are taxable to the employer sponsoring such plan in accordance with the U.S. federal income tax laws that are generally applicable to shareholders receiving such dividends or distributions from regulated investment companies.

A plan participant whose retirement plan invests in a Fund, whether such plan is qualified or not, generally is not taxed on Fund dividends or distributions received by the plan or on sales or exchanges of Fund shares by the plan for U.S. federal income tax purposes. However, distributions to plan participants from a retirement plan account generally are taxable as ordinary income, and different tax treatment, including penalties on certain excess contributions and deferrals, certain pre-retirement and post-retirement distributions and certain prohibited transactions, is accorded to accounts maintained as qualified retirement plans. Shareholders should consult their tax advisers for more information.

Backup Withholding — Each Fund is also required in certain circumstances to apply backup withholding at a current rate of 28% on taxable dividends, including capital gain dividends, redemption proceeds, and certain other payments that are paid to any noncorporate shareholder (including a non-U.S. person) who does not furnish to that Fund certain information and certifications or who is otherwise subject to backup withholding. Backup withholding will not, however, be applied to payments that have been subject to the 30% withholding tax on shareholders who are neither citizens nor residents of the United States. Any amounts overwithheld may be recovered by filing a claim for a refund with the U.S. Internal Revenue Service within the time period appropriate to file such claims.

U.S. Taxation of Non-U.S. Persons — Dividends and certain other payments (but not including distributions of net capital gains) to persons who are neither citizens nor residents of the United States or U.S. entities (“Non-U.S. Persons”) are generally subject to U.S. tax withholding at the rate of 30%. Each Fund intends to withhold at that rate on taxable dividends and other payments to Non-U.S. Persons that are subject to such withholding. A Fund may withhold at a lower rate permitted by an applicable treaty if the shareholder provides the documentation required by the Fund. For Fund taxable years beginning before January 1, 2010, the 30% withholding tax will not apply to dividends that a Fund designates as (a) interest-related dividends, to the extent such dividends are derived from a Fund’s “qualified net interest income,” or (b) short-term capital gain dividends, to the extent such dividends are derived from a Fund’s “qualified short-term gain.” “Qualified net interest income” is a Fund’s net income derived from U.S.-source interest and original issue discount, subject to certain exceptions and limitations. “Qualified short-term gain” generally means the excess of the net short-term capital gain of a Fund for the taxable year over its net long-term capital loss, if any. Any amounts

overwithheld may be recovered by such persons by filing a claim for refund with the U.S. Internal Revenue Service within the time period appropriate to file such claims.

Foreign Income Taxation of Non-U.S. Persons — Distributions received from the Funds by Non-U.S. Persons may also be subject to tax under the laws of their own jurisdictions.

State and Local Income Taxes: U.S. Government Securities — Dividends that are derived from interest on obligations of the U.S. Government and certain of its agencies and instrumentalities (but generally not distributions of capital gains realized upon the disposition of such obligations) may be exempt from state and local income taxes. The Balanced Fund intends to advise shareholders of the extent, if any, to which its dividends consist of such interest. Shareholders are urged to consult their tax advisors regarding the possible exclusion of such portion of their dividends for state and local income tax purposes.

Foreign Income Taxes — Investment income and gains with respect to foreign securities may be subject to foreign income taxes withheld at the source. The Funds do not expect to be able to pass through to shareholders foreign tax credits or deductions with respect to such foreign taxes. The United States has entered into tax treaties with many foreign countries that may entitle the Funds to a reduced rate of tax or an exemption from tax on such income; the Funds intend to qualify for treaty reduced rates where available. It is not possible, however, to determine the Funds' effective rate of foreign tax in advance, since the amount of the Funds' assets to be invested within various countries is not known.

Foreign Investments — Special tax considerations apply with respect to foreign investments. Foreign currency gains and losses may be treated as ordinary income and loss. A Fund may elect to mark to market any investments in "passive foreign investment companies" on the last day of each year. This election may cause the applicable Fund to recognize income prior to the receipt of cash payments with respect to those investments; in order to distribute this income and avoid a tax on the applicable Fund, the applicable Fund may be required to liquidate portfolio securities that it might otherwise have continued to hold, potentially resulting in additional taxable gain or loss. Investments made by a Fund in foreign currencies for non-hedging purposes and investments in certain "passive foreign investment companies" may be limited in order to avoid a tax on the applicable Fund.

Certain Other Investments — Any investment in zero coupon bonds, certain stripped securities, and certain other securities purchased at a market discount will cause a Fund to recognize income prior to the receipt of cash payments with respect to those securities. To distribute this income and avoid a tax on the Funds, a Fund may be required to liquidate portfolio securities that it might otherwise have continued to hold, potentially resulting in additional taxable gain or loss. Any investment by the Balanced Fund in residual interests of a CMO that has elected to be treated as a real estate mortgage investment conduit, or "REMIC," can create complex tax problems, especially if the Balanced Fund has state or local governments or other tax-exempt organizations as shareholders.

The Balanced Fund may invest in or hold debt obligations of issuers not currently paying interest or that are in default. Investments in debt obligations that are at risk of or in default present special tax issues for the Funds. Federal income tax rules are not entirely clear about issues such as when a Fund may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless securities, how payments received on obligations in default should

be allocated between principal and interest and whether certain exchanges of debt obligations in a workout context are taxable. These and other issues will be addressed by the Balanced Fund, in the event it invests in or holds such securities, in order to seek to ensure that it distributes sufficient income to preserve its status as a regulated investment company and does not become subject to U.S. federal income or excise tax.

Options, Futures Contracts, and Forward Contracts —The Balanced Fund's (and, where applicable, the Equity Fund's) transactions in options, futures contracts, forward contracts and certain related transactions will be subject to special tax rules that may affect the amount, timing, and character of Fund income and distributions to shareholders. For example, certain positions held on the last business day of each taxable year will be marked to market (i.e., treated as if closed out) on that day, and any gain or loss associated with the positions will be treated as 60% long-term and 40% short-term capital gain or loss. Certain positions that substantially diminish risk of loss with respect to other positions in the applicable portfolio may constitute "straddles," and may be subject to special tax rules that would cause deferral of losses, adjustments in the holding periods of securities, and conversion of short-term into long-term capital losses. Certain tax elections exist for straddles that may alter the effects of these rules. Each Fund's activities in options, futures contracts, and forward contracts may be restricted by the requirements of the Code for qualification as a regulated investment company.

DESCRIPTION OF SHARES, VOTING RIGHTS AND LIABILITIES

The Trust's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional Shares of Beneficial Interest (par value \$0.01 per share) of each series and to divide or combine the shares into a greater or lesser number of shares of that series without thereby changing the proportionate beneficial interests in that series. The Funds are the only current series of shares of the Trust. Each share of a series represents an equal proportionate interest in that series with each other share of that series. The shares of each series participate equally in the earnings, dividends and assets of the particular series. Shares of each series are entitled to vote separately to approve advisory agreements or changes in fundamental investment policy, but shares of all series may vote together in the election or selection of Trustees, principal underwriters and accountants. Except when a larger vote is required by applicable law, a majority of the voting power of the shares voted in person or by proxy on a matter will decide that matter and a plurality of the voting power of the shares voted in person or by proxy will elect a Trustee. Upon liquidation or dissolution of a series, shareholders of that series would be entitled to share pro rata in the net assets of that series available for distribution to shareholders. The Trust reserves the right to create and issue additional series and classes of shares, and to redesignate series and classify and reclassify classes, whether or not shares of the series or class are outstanding. The Trust also reserves the right to modify the preferences, voting powers, rights, and privileges of shares of each class without shareholder approval.

The Trustees of the Trust have the authority to designate additional series and classes of shares, to divide any series, and to designate the relative rights and preferences as between the different series and classes of shares. All shares issued and outstanding will be fully paid and nonassessable by the Trust, and redeemable as described in this Statement of Additional Information and in the Prospectus. The Trust may involuntarily redeem shareholder's shares at any time for any reason the Trustees of the Trust deem appropriate, including for the following reasons: (a) in order to eliminate inactive, lost, or very small accounts for

administrative efficiencies and cost savings, (b) to protect the tax status of the Funds if necessary, and (c) to eliminate ownership of shares by a particular shareholder when the Trustees determine that the particular shareholder's ownership is not in the best interests of the other shareholders of the Funds.

Shareholders are entitled to one vote for each dollar value of net asset value (number of shares owned times net asset value per share) represented by the shareholder's shares in the Funds, on each matter on which that shareholder is entitled to vote. The Trust is not required and has no present intention to hold annual meetings of shareholders, but the Trust will hold special meetings of shareholders when in the judgment of the Trustees it is necessary or desirable to submit matters for a shareholder vote. Shareholders have under certain circumstances (i.e., upon application and submission of certain specified documents to the Trustees by a specified number of shareholders) the right to communicate with other shareholders in connection with requesting a meeting of shareholders for the purpose of removing one or more Trustees. Shareholders also have under certain circumstances the right to remove one or more Trustees without a meeting by a declaration in writing by a specified number of shareholders. Shares have no preference, preemptive, conversion or similar rights. Shareholders in the Fund do not have cumulative voting rights, and shareholders owning more than 50% of the outstanding shares of the Trust may elect all of the Trustees if they chose to do so.

The Trust may, without shareholder approval, change the Funds' form of organization, reorganize the Funds, any other series, any class, or the Trust as a whole into a newly created entity or a newly created series of an existing entity, or incorporate the Funds, any other series, any class, or the Trust as a whole as a newly created entity. If recommended by the Trustees, the Trust, the Funds, any other series, or any class of the Trust may merge or consolidate or may sell, lease, or exchange all or substantially all of its assets if authorized at any meeting of shareholders by a vote of the majority of the outstanding voting securities (as defined in the 1940 Act) of the Trust voting as a single class or of the affected Funds, series, or class, or by written consent, without a meeting, of the holders of shares representing a majority of the voting power of the outstanding shares of the Trust voting as a single class, or of the affected Funds, series or class. The Trust may be terminated at any time by a vote of the majority of the outstanding voting securities (as defined in the 1940 Act) of the Trust. The Funds, any other series of the Trust, or any class of any series, may be terminated at any time by a vote of the majority of the outstanding voting securities (as defined in the 1940 Act) of the Funds or that series or class, or by the Trustees by written notice to the shareholders of the Funds or that series or class. If not so terminated, the Trust will continue indefinitely. Except in limited circumstances, the Trustees may, without any shareholder vote, amend or otherwise supplement the Trust's Declaration of Trust.

The Trust is an entity of the type commonly known as a "Massachusetts business trust". Under Massachusetts law, shareholders of such a business trust may, under certain circumstances, be held personally liable as partners for its obligations and liabilities. However, the Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of the Trust and provides for indemnification and reimbursement of expenses out of Trust property for any shareholder held personally liable for the obligations of the Trust. The Declaration of Trust also provides that the Trust shall maintain appropriate insurance (for example, fidelity bonding and errors and omissions insurance) for the protection of the Trust, its shareholders, Trustees, officers, employees and agents covering possible tort and other liabilities. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which both inadequate insurance existed and the Trust itself was unable to meet its obligations.

The Declaration of Trust further provides that obligations of the Trust are not binding upon the Trustees individually but only upon the property of the Trust and that the Trustees will not be liable for errors of judgment or mistakes of fact or law, and that the Trust will indemnify its Trustees and officers against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Trust unless, as to liability to the Trust or the Funds' shareholders, it is finally adjudicated that they engaged in willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in their offices, or unless with respect to any other matter it is finally adjudicated that they did not act in good faith in the reasonable belief that their actions were in the best interests of the Trust. In the case of settlement, such indemnification will not be provided unless it has been determined by a court or other body approving the settlement or other disposition, or by a reasonable determination, based upon a review of readily available facts, by vote of a majority of Disinterested Trustees (as defined in the Declaration of Trust) or in a written opinion of independent counsel, that such Trustees or officers have not engaged in willful misfeasance, bad faith, gross negligence, or reckless disregard of their duties.

PORTFOLIO TRANSACTIONS AND BROKERAGE COMMISSIONS

BALANCED FUND

Specific decisions to purchase or sell securities for the Fund are made by a team of portfolio managers who are employees of the Subadviser and who are appointed and supervised by its senior officers. The Board of Trustees reviews changes in the Fund's investments. The Fund's portfolio managers may serve other clients of the Subadviser in a similar capacity.

The Subadviser makes decisions concerning the execution of portfolio security transactions of the Balanced Fund, including the selection of the market and the broker-dealer firm. The Subadviser is also responsible for the execution of transactions for all other accounts managed by it.

The Subadviser places the security transactions of the Balanced Fund and of all other accounts managed by it for execution with various broker-dealer firms. The Subadviser uses its best efforts to obtain execution of portfolio transactions at prices that are advantageous to the Fund and (when a disclosed commission is being charged) at reasonably competitive commission rates. In seeking such execution, the Subadviser will use its best judgment in evaluating the terms of a transaction, and will give consideration to various relevant factors, including without limitation the size and type of the transaction, the general execution and operational capabilities of the broker-dealer, the nature and character of the market for the security, the confidentiality, speed and certainty of effective execution required for the transaction, the reputation, reliability, experience and financial condition of the broker-dealer, the value and quality of services rendered by the broker-dealer in other transactions, the impact of liquidity rebates on the selection of brokers and the negotiation of commission rates, and the reasonableness of the commission, if any. Transactions on United States stock exchanges and other agency transactions involve the payment by the Fund of negotiated brokerage commissions. Such commissions vary among different broker-dealer firms, and a particular broker-dealer may charge different commissions according to such factors as the difficulty and size of the transaction and the volume of business done with such broker-dealer. Transactions in foreign securities usually involve the payment of fixed brokerage commissions, which are generally higher than those in the United States. In an

underwritten offering the price paid by the Fund often includes a disclosed fixed commission or discount retained by the underwriter or dealer. Although commissions paid on portfolio security transactions will, in the judgment of the Subadviser, be reasonable in relation to the value of the services provided, commissions exceeding those which another firm might charge may be paid to broker-dealers who were selected to execute transactions on behalf of the Fund and the Subadviser's other clients in part for providing brokerage and research services to the Subadviser.

As authorized in Section 28(e) of the Securities Exchange Act of 1934, a broker or dealer who executes a portfolio transaction on behalf of the Balanced Fund may receive a commission which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if the Subadviser determines in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided. This determination may be made on the basis of either that particular transaction or on the basis of the overall responsibilities that the Subadviser and its affiliates have for accounts over which they exercise investment discretion. In making any such determination, the Subadviser will not attempt to place a specific dollar value on the brokerage and research services provided or to determine what portion of the commission should be related to such services. Brokerage and research services may include advice as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement); and the "Research Services" referred to in the next paragraph.

It is a common practice in the investment advisory industry for the advisers of investment companies, institutions and other investors to receive research, statistical and quotation services, data, information and other services, products and materials which assists such advisers in the performance of their investment responsibilities ("Research Services") from broker-dealer firms which execute portfolio transactions for the clients of such advisers and from third parties with which these broker-dealers have arrangements. Consistent with this practice, the Subadviser may receive Research Services from some broker-dealer firms with which the Subadviser places the Fund's transactions and from third parties with which these broker-dealers have arrangements. These Research Services include such matters as general economic and market reviews; industry and company reviews; evaluations of securities and portfolio strategies and transactions; recommendations as to the purchase and sale of securities and other portfolio transactions; specialized financial, industry and trade publications; specialized news and information services; pricing and quotation services; and research oriented computer software, data bases and services. The Research Services allowable must be eligible under the interpretive commission guidance established by the SEC effective July 24, 2006 and may change pending further SEC guidance. Any particular Research Service obtained through a broker-dealer may be used by the Subadviser in connection with client accounts other than those accounts that pay commissions to such broker-dealer. Any such Research Service may be broadly useful and of value to the Subadviser in rendering investment advisory services to all or a significant portion of its clients, or may be relevant and useful for the management of only one client's account or of a few clients' accounts, or may be useful for the management of merely a segment of certain clients' accounts, regardless of whether any such account or accounts paid commissions to the broker-dealer through which such Research Service was obtained. The advisory fee paid by the Balanced Fund is not reduced because the Subadviser receives such Research Services. The Subadviser evaluates the nature and quality of the various Research Services obtained through broker-dealer firms and attempts to allocate sufficient commissions to such firms to ensure

the continued receipt of Research Services which the Subadviser believes are useful or of value to it rendering investment advisory services to its clients.

Securities considered as investments for the Balanced Fund may also be appropriate for other investment accounts managed by the Subadviser or its affiliates. The Subadviser will attempt to allocate equitably portfolio security transactions among the Fund and the portfolios of its other investment accounts whenever decisions are made to purchase or sell securities by the Fund and one or more of such other accounts simultaneously. In making such allocations, the main factors to be considered are the respective investment objectives of the Fund and such other accounts, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment by the Fund and such accounts, the size of investment commitments generally held by the Fund and such accounts and the opinions of the persons responsible for recommending investments to the Fund and such accounts. While this procedure could have a detrimental effect on the price or amount of the securities available to the Fund from time to time, it is the opinion of the Trustees of the Trust and the Fund that the benefits available from the Subadviser organization outweigh any disadvantage that may arise from exposure to simultaneous transactions.

For the fiscal years ended July 31, 2007, 2008 and 2009, the Balanced Fund paid brokerage commissions aggregating \$20,523, \$47,593 and \$39,272, respectively.

To the extent permitted by law, the Trust may engage in brokerage transactions with brokers that are affiliates of the Adviser or a subadviser. The Trust has adopted procedures in accordance with Section 17(e)(2) and Rule 17e-1 under the 1940 Act to ensure that all commissions, fees and other remuneration, including liquidity rebates for order flow, to be paid to such affiliated brokers are fair and reasonable to each Fund's shareholders.

In addition, the Trust has adopted procedures to require that the Subadviser does not place trades for the purpose of generating any remuneration for an affiliated or non-affiliated broker-dealer (other than commissions), including liquidity rebates for order flow.

Further, the Subadviser is required to report on a quarterly basis, to the extent that the information is available, all remuneration (in addition to commissions) received by affiliated and non-affiliated broker-dealers in respect of the Balanced Fund's portfolio transactions or, if such information is not available, that it has determined that such remuneration, if any, was not material in relation to the selection of brokers and the negotiation of commission rates.

The portfolio turnover rate is the ratio of the lesser of sales or purchases to the monthly average value of the portfolio (excluding from both the numerator and the denominator all securities with maturities at the time of acquisition of one year or less). Higher levels of Fund activity result in higher transaction costs and may also result in taxes on realized capital gains to be borne by the Fund's shareholders. Purchases and sales are made for the Fund whenever necessary, in management's opinion, to meet the Fund's objective. The portfolio turnover rates for the Balanced Fund for the fiscal years ended July 31, 2007, 2008 and 2009 were 35%, 44% and 33%, respectively.

EQUITY FUND AND DOMINI TRUST

Specific decisions to purchase or sell securities for the Equity Fund are made by portfolio managers who are employees of Mellon Capital and who are appointed and supervised by its senior officers. The portfolio managers of the Equity Fund may serve other clients of Mellon Capital in a similar capacity.

Frequent changes in the Equity Fund's holdings may result from the policy of attempting to correlate the Equity Fund's securities holdings with the composition of the KLD400 Index, and the frequency of such changes will increase as the rate and volume of purchases and redemptions of shares of the Equity Fund increases. The annual portfolio turnover rates of the Domini Trust, in which the Equity Fund invested substantially all its investable assets for the period August 1, 2006 to November 27, 2006 was 1%. The portfolio turnover rates of the Equity Fund from November 28, 2006 to July 31, 2007 and for the fiscal years ended July 31, 2008 and 2009 were 8%, 6% and 23%, respectively.

The primary consideration in placing transactions with broker-dealers for the Equity Fund is to obtain executions at the most favorable and reasonable commission rates in relation to the benefits received. The Equity Trading Department of Mellon Capital attempts to achieve these results by using sound business judgment and choosing brokers to execute transactions based on many factors, including: net cost or net realized from the trade; ability to act promptly in executing the trade and delivering the securities; ability to find the natural opposite side of a transaction; ability to buy or sell a block of the size involved in the transaction; superior knowledge and order-flow in specific capitalization categories; ability of the broker to commit proprietary capital to facilitate orders; ability to work large orders discreetly; experience or knowledge of the particular security and access to sources of supply or market thereof; utilization of alternative markets including "third" and "fourth" markets; best way to reach other institutional investors; financial responsibility and reputation; operational efficiency; value-added information flow; ability to minimize impact by providing anonymity (e.g., ECN).

The Investment Subadvisory Agreement with Mellon Capital provides that Mellon Capital may not use commissions paid to broker-dealers in connection with the purchase or sale of the Equity Fund's securities to generate so-called "soft dollars." DSIL required SSgA to provide a quarterly certification that it did not enter into any so-called "soft dollar" arrangements. "Soft dollar" arrangements are arrangements whereby commissions paid by a mutual fund are used to pay for products or services used by the mutual fund's manager.

In certain instances there may be securities that are suitable for the Equity Fund as well as for one or more of Mellon Capital's or Green Century Capital's other clients. Investment decisions for the Equity Fund and for Mellon Capital's or Green Century Capital's other clients are made with a view to achieving their respective investment objectives. It may develop that a particular security is bought or sold for only one client even though it might be held by, or bought or sold for, other clients. Likewise, a particular security may be bought for one or more clients when one or more clients are selling that same security. Some simultaneous transactions are inevitable when several clients receive investment advice from the same investment adviser, particularly when the same security is suitable for the investment objectives of more than one client. When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed to be equitable to each. It is recognized that in some cases this system could have a detrimental effect on the price or volume of the security as far as the Equity Fund is

concerned. However, it is believed that the ability of the Equity Fund to participate in volume transactions will produce better executions for the Equity Fund.

For the period August 1, 2006 to November 27, 2006, the Domini Trust paid brokerage commissions of \$148,143. For the period August 1, 2006 to November 27, 2006, the Equity Fund paid no brokerage commissions. For the period November 28, 2006 to July 31, 2007 and for the fiscal years ended July 31, 2008 and 2009, the Equity Fund paid brokerage commissions of \$1,200, \$6,081 and \$6,316, respectively.

No Portfolio transactions may be executed with the Adviser or the Subadviser, or with any affiliate of the Adviser or the Subadviser, acting either as principal or as broker, except as permitted by applicable law.

For the period August 1, 2006 to November 27, 2006, the Domini Trust did not pay any brokerage commissions to State Street Global Markets, LLC, an affiliate of SSgA.

PORTFOLIO HOLDINGS DISCLOSURE

The Funds have adopted policies and procedures which govern the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio investments held by each of the Funds. The Policies and Procedures for the Disclosure of the Green Century Funds' Portfolio Holdings is provided below.

This policy governs the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio investments held by the Funds. The Funds and their administrator, Green Century Capital, have a fiduciary duty to inform the Funds' shareholders as well as prospective investors of the Funds' securities holdings in a timely manner while also preventing anyone, including arbitrageurs, from misusing this data to the detriment of the Funds and their shareholders. The goal of this policy is that information on the Funds' portfolio holdings be disclosed as widely as practicable and on a concurrent basis to shareholders and other interested persons and entities, or as required by law. Any information disseminated in any other manner on the Funds' portfolio holdings will be posted to the Funds' or another publicly available website concurrently. Thus, the Funds and Green Century Capital will not disclose the Funds' portfolio holdings in a selective manner, will not allow the Funds' service providers to disclose holdings in a selective manner and will not enter into any agreements to disclose holdings to any person or entity that are not widely available to the public. Neither the Funds, Green Century Capital, nor any other party will accept any compensation or other consideration for the receipt of portfolio holdings data.

The Funds make the following holdings information available no earlier than the dates listed in the following schedule:

- Top ten holdings of each Fund as of calendar quarter end, with a minimum fifteen day delay following calendar quarter end.
- Full holdings of each Fund as well as a listing of each Fund's investments by industry sector as of calendar quarter end, with a minimum thirty day delay following calendar quarter end.

- Full holdings of each Fund as of fiscal quarter end, no earlier than the filing of the Form N-Q or commencement of distribution of the Annual or Semi-Annual Report.
- At the discretion of an Officer of the Funds, full holdings, with a minimum thirty day delay following other month end periods, including instructing the Funds' portfolio accountant services provider and custodian bank and the Funds' subadministrator to electronically disseminate each of the Fund's full holdings to various mutual fund rating and information services companies.

The Funds require the following procedures for the disclosure of the Funds' portfolio holdings:

- The Green Century Funds website (www.greencentury.com) lists each of the Funds' top ten holdings as of the end of each calendar quarter end, with a minimum fifteen day delay following calendar quarter end.
- The Funds' Annual Report for its fiscal year end July 31 and its Semi-Annual Report for its semi-annual period end January 31 are posted to the Funds' website simultaneously with the commencement of distribution of the Annual or Semi-Annual Report. The Funds' Annual Report and Semi-Annual Report list all of each of the Funds' holdings as of the end of each Fund's semi-annual fiscal periods.
- Within three business days of receipt of a request, Green Century Capital mails to prospective investors and other inquirers a prospectus and other material which includes a listing of each Fund's investments by industry sector as of the end of each calendar quarter, with a minimum thirty day delay following calendar quarter end.
- Also within three business days of receipt of a request, Green Century Capital mails to prospective investors and other inquirers a current Annual Report or Semi-Annual Report which includes a list of all of each of the Funds' holdings as of the end of each Fund's semi-annual fiscal periods, no earlier than the commencement of distribution of the Annual or Semi-Annual Report.
- The Funds file Form N-CSR within 10 days after the transmission to shareholders of the Annual or Semi-Annual Report included in the Form N-CSR and file Form N-Q within sixty days of the close of each of the Funds' first and third fiscal quarter ends with the SEC. The Form N-CSR and Form N-Q filings include a complete list of each of the Funds' portfolio holdings and are available to the public as of the date of the filing.
- The Funds' Annual Report and Semi-Annual Report are distributed to shareholders beginning within sixty days of the close of each semi-annual fiscal period. The Funds' Annual Report and Semi-Annual Report include a complete list of each of the Funds' portfolio holdings.
- The Funds' portfolio accountant services provider and custodian bank and the Funds' subadministrator electronically disseminate each of the Funds' full portfolio holdings to various mutual fund rating and information services companies as of each calendar quarter end with a minimum thirty day delay. The mutual fund rating and information services companies include but are not limited to Morningstar, Lipper and Bloomberg.

The Funds require anyone who has access to information on the Funds' portfolio holdings in connection with the services they provide to the Funds to only disclose that information after the holdings have been made public as per the schedule described above. Those who have access to information on the Funds' portfolio holdings in connection with the services they provide to the Funds include: the Funds' Trustees and Officers; Green Century Capital officers, directors, employees, consultants and volunteers; and employees and others associated with service providers or prospective service providers to the Funds.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP is the independent registered public accounting firm of the Balanced Fund and the Equity Fund.

ADDITIONAL INFORMATION

A shareholder's right to receive payment with respect to any redemption may be suspended or the payment of the redemption proceeds postponed: (i) during periods when the NYSE is closed for other than weekends and holidays or when trading on such Exchange is restricted as determined by the SEC by rule or regulation, (ii) during periods in which an emergency exists which causes disposal of, or evaluation of the net asset value of, the Funds' portfolio securities to be unreasonable or impracticable, or (iii) for such other periods as the SEC may permit.

With respect to the securities offered by the Funds' Prospectus, this Statement of Additional Information and the Prospectus do not contain all the information included in the Registration Statement filed with the SEC under the 1933 Act. Pursuant to the rules and regulations of the SEC, certain portions have been omitted. The Registration Statement including the exhibits filed therewith may be examined at the office of the SEC in Washington, D.C and may be accessed on the EDGAR Database on the SEC's internet site at <http://www.sec.gov>.

Statements contained in this Statement of Additional Information and the Prospectus concerning the contents of any contract or other document are not necessarily complete, and in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement. Each such statement is qualified in all respects by such reference.

FINANCIAL STATEMENTS

The financial statements of the Funds as of July 31, 2009, filed as part of each Fund's Annual Report with the Securities and Exchange Commission pursuant to Section 30(b) of the 1940 Act and Rule 30b2-1 thereunder, are hereby incorporated by reference from such report. Shareholders may obtain a copy of the Annual Report, without charge, by calling 1-800-93-GREEN or visiting the Funds' website at www.greencentury.com.

APPENDIX A - DESCRIPTION OF SECURITIES RATINGS¹

Description of Moody's Investors Service, Inc.'s corporate bond ratings:

Aaa: Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged". Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than in Aaa securities.

A: Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa: Bonds which are rated Baa are considered as medium grade obligations, (i.e., they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safe-guarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca: Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C: Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Moody's applies numerical modifiers, 1, 2 and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Short-Term Debt

Moody's short term debt ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of one year.

Issuers rated **Prime-1** or **P-1** (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 or P-1 repayment ability will often be evidenced by many of the following characteristics:

- Leading market positions in well established industries.
- High rates of return on funds employed.
- Conservative capitalization structure with moderate reliance on debt and ample asset protection.
- Broad margins in earnings coverage of fixed financial charges and high internal cash generation.
- Well established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated **Prime-2** or **P-2** (or supporting institutions) have a strong ability for repayment of senior short-term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Fitch Investors Service, Inc.

Investment Grade Bond Ratings

AAA: Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA: Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated "AAA". Because bonds rated in the "AAA" and "AA" categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated "F-1+".

A: Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB: Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

High Yield Bond Ratings

BB: Bonds are considered speculative. The obligor's ability to pay interest and repay principal may be affected over time by adverse economic changes. However, business and financial alternatives can be identified which could assist the obligor in satisfying its debt service requirements.

B: Bonds are considered highly speculative. While bonds in this class are currently meeting debt service requirements, the probability of continued timely payment of principal and interest reflects the obligor's limited margin of safety and the need for reasonable business and economic activity throughout the life of the issue.

CCC: Bonds have certain identifiable characteristics which, if not remedied, may lead to default. The ability to meet obligations requires an advantageous business and economic environment.

CC: Bonds are minimally protected. Default in payment of interest and/or principal seems probable over time.

C: Bonds are in imminent default in payment of interest or principal.

DDD, DD, and D: Bonds are in default of interest and/or principal payments. Such bonds are extremely speculative and should be valued on the basis of their ultimate recovery value in liquidation or reorganization of the obligor. "DDD" represents the highest potential for recovery on these bonds, and "D" represents the lowest potential for recovery.

Plus (+) or Minus (-): The ratings from AA to C may be modified by the addition of a plus or minus sign to indicate the relative position of a credit within the rating category.

NR: Indicates that Fitch does not rate the specific issue.

Conditional: A conditional rating is premised on the successful completion of a project or the occurrence of a specific event.

Investment Grade Short-Term Ratings

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes.

F-1+: Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1: Very Strong Credit Quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated "F-1+".

F-2: Good Credit Quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as the "F-1+" and "F-1" categories.

F-3: Fair Credit Quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate, however, near-term adverse changes could cause these securities to be rated below investment grade.

Duff & Phelps

Investment Grade Bond Ratings

AAA: Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

AA+, AA, and AA-: High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, and A-: Protection factors are average but adequate. However, risk factors are more variable and greater in periods of economic stress.

BBB+, BBB, and BBB-: Below average protection factors but still considered sufficient for prudent investment. Considerable variability in risk during economic cycles.

High Yield Bond Ratings

BB+, BB, and BB-: Below investment grade but deemed likely to meet obligations when due. Present or prospective financial protection factors fluctuate according to industry conditions or company fortunes. Overall quality may move up or down frequently within this category.

B+, B, and B-: Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes. Potential exists for frequent changes in the rating within this category or into a higher or lower rating grade.

CCC: Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal interest or preferred dividends. Protection factors are narrow and risk can be substantial with unfavorable economic/industry conditions, and/or with unfavorable company developments.

Preferred stocks are rated on the same scale as bonds but the preferred rating gives weight to its more junior

Commercial Paper/Certificates of Deposit

Category 1: Top Grade

Duff 1 plus: Highest certainty of timely payment. Short-term liquidity including internal operating factors and/or ready access to alternative sources of funds is outstanding, and safety is just below risk-free U.S. Treasury short-term obligations.

Duff 1: Very high certainty of timely payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

Duff 1 minus: High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Category 2: Good Grade

Duff 2: Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

Category 3: Satisfactory Grade

Duff 3: Satisfactory liquidity and other protection factors qualify issue as to investment grade. Risk factors are larger and subject to more variation. Nevertheless timely payment is expected.

No ratings are issued for companies whose paper is not deemed to be of investment grade.

* * * * *

Notes:

¹ The ratings indicated herein are believed to be the most recent ratings available at the date of this Statement of Additional Information for the securities listed. Ratings are generally given to securities at the time of issuance. While the rating agencies may from time to time revise such ratings, they undertake no obligation to do so, and the ratings indicated do not necessarily represent ratings that would be given to these securities on the date of the Fund's fiscal year end.

Bonds that are unrated expose the investor to risks with respect to capacity to pay interest or repay principal which are similar to the risks of lower-rated bonds. The Balanced Fund is dependent on the investment adviser's or investment subadviser's judgment, analysis and experience in the evaluation of such bonds.

Investors should note that the assignment of a rating to a bond by a rating service may not reflect the effect of recent developments on the issuer's ability to make interest and principal payments.

APPENDIX B – GREEN CENTURY CAPITAL MANAGEMENT PROXY VOTING POLICIES AND PROCEDURES

Introduction

Green Century Capital Management, Inc. (Green Century), as the investment adviser, is responsible for voting the proxies for securities held by the Green Century Balanced Fund (the Balanced Fund), the Green Century Equity Fund (the Equity Fund), and for any other series of the Green Century Funds for which it serves as the adviser (the Funds and each a Fund). Green Century has performed this duty for the Balanced Fund since the inception of the Balanced Fund. Green Century has performed this duty for the Equity Fund since it became the Equity Fund's adviser on November 28, 2006.

In considering each proxy vote, Green Century weighs first and foremost the best interests of the Funds and the best interests of the Funds' shareholders. Green Century's policy is to ensure that all of the Funds' proxies are at all times voted in the best interest of the Funds and their shareholders. The Green Century Capital Management, Inc. Proxy Voting Policies and Procedures (the Policies and Procedures) that follow are designed to protect the best interests of the Funds and their shareholders. Green Century is guided by these policies in making proxy voting decisions.

These policies do not discuss every issue on which a Fund may be asked to vote, and there may be occasions when Green Century believes that a vote that does not adhere strictly to these policies is in the best interests of a Fund and a Fund's shareholders. In these cases, Green Century will vote a Fund's shares in accordance with its view of the best interests of a Fund's shareholders.

Policies for the Green Century Balanced Fund:

Environmental Issues

Green Century believes that environmental issues are the most critical issues facing our nation and our world in the twenty-first century. Our focus is on the environment and the role that we can play to protect it. Green Century will, on behalf of the Balanced Fund, vote proxies in favor of resolutions designed to address and resolve environmental problems. In addition to voting the Fund's proxies in support of environmental protection, Green Century conducts shareholder advocacy campaigns to promote corporate environmental responsibility.

Below are the primary environmental issues that are frequently raised in shareholder resolutions and a discussion of how Green Century will vote on these issues on behalf of the Fund.

Energy and Natural Resource Conservation

America's prosperity has resulted largely from the extraordinary abundance of water, wood, oil, and other natural resources our country enjoys. But the enormous environmental cost of extracting and consuming these resources can be measured in scarred landscapes, brown clouds and overflowing garbage dumps. Our breakneck rate of consumption has earned us the moniker "the throwaway society;" it has also led

experts to predict a day of reckoning in the foreseeable future, when demand outstrips the supply of many of our natural resources.

Green Century advocates for the sustainable use of our natural resources. We call for the development of clean, renewable energy. We support conservation and efficiency, reuse and recycling, and other policies to ensure quality of life not just for ourselves, but for generations to come.

Green Century will encourage the conservation of our natural resources by voting the Fund's proxies as described below. When given the opportunity to vote on other conservation issues, Green Century will choose to vote in whatever way supports resource conservation.

Climate Change: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company disclose information on the environmental and financial risks of climate change, as well as resolutions requesting that a company take action to reduce its impact on the global climate.

Renewable Energy and Energy Efficiency: Green Century will vote the Fund's proxies to **support** resolutions encouraging a company to increase its investments in renewable energy and energy efficiency.

Product Responsibility: Shareholders have asked companies to take responsibility for the environmental impact of their products throughout their lifecycle, including reducing the toxic substances used to make products, and assisting in and promoting the recycling of products. Green Century will vote the Fund's proxies to **support** resolutions in these areas.

Use of Recycled Materials: Green Century will vote the Fund's proxies to **support** resolutions that request a greater use of recycled content in a company's products, and the greater use of recycled paper overall.

Public Health

Clean air, clean water and safe food are the most basic necessities of a healthy life. Yet, from "The Jungle" of Upton Sinclair to Love Canal, corporations and the government have a long track record of gambling with the public's health.

Green Century supports action to protect the public from threats to the purity of our air, water and food, including the elimination of dangerous chemicals and practices and the cleanup of areas that have been contaminated with dangerous pollutants. Green Century also pressures industry to find safer ways of doing business in order to prevent future pollution.

Green Century will promote public health protections by voting the Fund's proxies as described below. When given the opportunity to vote on other public health issues, Green Century will vote to support public health protections.

Toxics: Green Century will vote the Fund's proxies to **support** resolutions asking a company to reduce the use of toxic chemicals in its products.

Toxic Waste Sites: Green Century will vote the Fund's proxies to **support** resolutions that encourage a company to report on areas that it has contaminated with toxic waste, including Superfund sites and brownfields, and to take responsibility for cleaning up those sites.

PVC Plastics: Polyvinyl chloride (PVC) plastics have been linked to cancer and other debilitating illnesses. Green Century will vote the Fund's proxies to **support** resolutions that seek the elimination of the use of PVC.

Mercury: Green Century will vote the Fund's proxies to **support** resolutions that seek the elimination of the use of mercury in consumer and medical products.

Genetically Engineered (GE) Foods: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company report on and reduce its use of GE ingredients, as well as resolutions asking for the labeling of such foods.

Preservation Issues

The natural environment is the ecological bedrock on which all life depends. Yet from the extinction of species to the vanishing wilderness, the pursuit of short-term gain has come at a terrible cost to our natural heritage. Green Century supports the preservation of our environment – for its own sake, for its ecological value, and for the inspiration and wonder it provides for the world's people. Green Century supports the protection of natural ecosystems, large and small, around the world, as well as the endangered and threatened species that need them to survive.

Green Century will help to preserve our environment by voting the Fund's proxies as described below. When given the opportunity to vote on other preservation issues, Green Century will choose to vote in whatever way supports the preservation of our wilderness and public lands.

Arctic National Wildlife Refuge and other wilderness areas: Green Century will vote the Fund's proxies to **support** resolutions asking a company not to conduct destructive operations, such as oil drilling or mining, in these areas.

Ancient Forests: Green Century will vote the Fund's proxies to **support** resolutions that promote the elimination of sales of wood from ancient forests.

Sprawl and Open Space: Green Century will vote the Fund's proxies to **support** resolutions that demand that a company not unnecessarily destroy or develop open spaces and wilderness areas.

Tobacco Issues

The tobacco industry has created an environmental and public health disaster. Almost 5 million people die each year from tobacco-related illnesses. Green Century believes that the industry must take responsibility for the production, marketing, and distribution of its products so that consumers, especially children and non-smokers, are not harmed.

Green Century will help to bring about this change by voting the Fund's proxies as described below. When given the opportunity to vote on other issues in this area, Green Century will choose to vote in whatever way supports responsible tobacco industry policies.

Green Century will, on behalf of the Fund, **support** resolutions which aim to limit or eliminate tobacco sales, use and advertising.

Sales to Minors: Green Century will vote the Fund's proxies to **support** resolutions that call on retailers to stop selling cigarettes and resolutions that ask retailers to ensure that they are not selling tobacco products to minors.

Smoke-Free Policies: Green Century will vote the Fund's proxies to **support** resolutions that encourage restaurants and other businesses to adopt smoke-free policies.

Tobacco Advertising: Green Century will vote the Fund's proxies to **support** resolutions that request that media companies report on the effects of tobacco advertising and that encourage restrictions on such advertising.

Corporate Governance Issues

The name Enron has become synonymous with poor corporate governance. But the problems that brought down Enron are much broader and deeper than the scandals that have plagued all too many of this country's largest companies in recent years. When corporations are not controlled by a strong system of democratic corporate governance, they are then able to ignore the best interests of their shareholders. This betrayal of shareholders' best interests harms not only the shareholders but also other stakeholders such as the company's employees, the general public, and the environment.

Green Century believes that a strong system of democratic corporate governance is necessary to protect investors and other stakeholders from corporate mismanagement and malfeasance.

Green Century will help to bring about needed reforms by voting the Fund's proxies as described below. When given the opportunity to vote on other issues in this area, Green Century will choose to vote in whatever way supports more democratic corporate governance policies.

General

Management Compensation and Environmental and Social Performance: Green Century will vote the Fund's proxies to **support** resolutions that request reports on the link between executive compensation and a company's record on environmental and social issues.

Director and Executive Compensation: Green Century will vote the Fund's proxies to **support** resolutions that request a report on director and executive compensation, as well as resolutions that would require policies to restrict compensation to reasonable levels.

Auditor Independence: Green Century believes that auditors who provide non-audit- related services, other than tax services, to a company could have a conflict of interest. Therefore, Green Century will vote the Fund's proxies to **support** the re-appointment of a company's auditor only if the auditor did not receive any non-audit-related fees, excluding tax services fees, from the company in the previous year. Also, Green Century will vote the Fund's proxies to **support** resolutions that encourage companies to have only audit-related services and tax services provided by the company's auditor.

In-Person Annual Meetings: Some companies have lobbied for the right to replace in-person annual meetings with meetings held via the Internet. Green Century believes that this practice would limit shareholder democracy; thus, Green Century will vote the Fund's proxies to **support** resolutions asking companies to commit to continuing to hold in-person annual meetings.

Political Contributions: Green Century will vote the Fund's proxies to **support** resolutions encouraging a company to cease contributing to political parties or partisan activities.

Boards of Directors

Green Century will, on behalf of the Fund, support resolutions designed to enhance the independence and diversity of boards of directors and, where possible, to encourage concern for corporate environmental responsibility among the members of a board of directors.

Candidates for Director: Green Century will vote the Fund's proxies to **support** only those candidates who, to the best of Green Century's knowledge, have a demonstrated commitment to the environment. Green Century will, on behalf of the Fund, **oppose** all other candidates.

Staggered or Classified Boards: Some companies stagger the terms of their directors; thus, all directors are not up for election each year. Green Century believes this practice limits opportunities for shareholder democracy; thus Green Century will vote the Fund's proxies to **support** resolutions that would eliminate staggered boards.

Cumulative Voting: This practice allows shareholders to cast all of their director votes for one candidate. Green Century believes cumulative voting aids in the election of truly independent directors to a company's board. Thus, Green Century will vote the Fund's proxies to **support** resolutions to allow cumulative voting.

Independent Boards: Green Century will vote the Fund's proxies to **support** resolutions that require a majority or more of a company's directors be independent of the company.

Independence of Committees: Green Century will vote the Fund's proxies to **support** resolutions that require that audit, compensation, and nominating committees of directors be filled exclusively with independent directors.

Diversity of Board: Green Century will vote the Fund's proxies to **support** resolutions encouraging companies to adopt policies to promote a diverse slate of board of directors' candidates.

Corporate Structure

Employee Stock Ownership Plans (ESOP's): Green Century will vote the Fund's proxies to **support** resolutions to create and maintain these plans as a means of fostering employee ownership.

Stock Option Plans: Green Century will vote the Fund's proxies to **support** stock option plans only if at least 90% of the options granted under the plan are granted to non-executive level employees.

Stock Issuance: Green Century will vote the Fund's proxies to **support** the issuance of stock of a company unless Green Century has reason to believe that the company's investment banker has a conflict of interest or the issuance is designed to thwart a takeover bid.

Reporting and Disclosure of Information Issues

Public disclosure of information is fundamental to this country's financial system. Investors who are armed with accurate and complete information about a company can hold that company accountable for its performance. Unfortunately, all too often companies do not disclose significant risks that their business faces, especially when these risks concern environmental and social issues.

Green Century believes that investors and the general public are entitled to information relating to a company's performance in all areas, including environmental and social impacts of a company's operations. Green Century supports further regulatory action to require that public companies disclose risks relating to environmental and social issues.

Green Century will help to support greater disclosure by voting the Fund's proxies as described below. When given the opportunity to vote on other issues in this area, Green Century will choose to vote in whatever way supports disclosure of information.

Environmental Reports: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company disclose information on the company's programs or activities regarding the environment.

Standards of Conduct: Green Century will vote the Fund's proxies to **support** resolutions that request that a company report on and develop policies to regulate their conduct overseas, especially regarding their environmental impact.

Standards for Vendors: Green Century will vote the Fund's proxies to **support** resolutions that request that a company report on and develop policies to regulate the conduct of its vendors, suppliers, and contractors overseas, especially regarding their environmental impact.

Natural Resource Extraction in Developing Countries: Green Century will vote the Fund's proxies to **support** resolutions that request a report on the impact of natural resource development on the environment and on indigenous populations.

CERES Principles: Green Century will vote the Fund's proxies to **support** resolutions asking a company to adopt the CERES Principles.

Fair Lending Practices: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company report on the potential results of adopting fair lending practices, including prohibitions on redlining and on predatory or discriminatory lending.

Excessive Drug Prices: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company report on policies that would ensure that consumers are charged a reasonable price for prescriptions medications.

Equal Employment and Affirmative Action Reports: Green Century will vote the Fund's proxies to **support** resolutions that request a report on issues relating to equal employment opportunity and affirmative action programs.

Discrimination based on Sexual Orientation: Green Century will vote the Fund's proxies to **support** resolutions that request that a company report on its reasons for not adopting policies to prohibit discrimination based on sexual orientation.

Pay Equity: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company disclose pay comparisons between its women and minority employees and other employees to ensure that all employees are fairly compensated.

Policies for the Green Century Equity Fund:

Environmental Issues

In general, Green Century will vote the Fund's proxies to support resolutions designed to address and resolve environmental problems.

Climate Change: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company disclose information on the environmental and financial risks of climate change, as well as resolutions requesting that a company take action to reduce its impact on the global climate.

Renewable Energy and Energy Efficiency: Green Century will vote the Fund's proxies to **support** resolutions encouraging a company to increase its investments in renewable energy and energy efficiency.

Environmental Reports: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company disclose information on the company's programs or activities regarding the environment.

Genetically Engineered (GE) Foods: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company report on and reduce its use of GE ingredients, as well as resolutions asking for the labeling of such foods.

Arctic National Wildlife Refuge and other wilderness areas: Green Century will vote the Fund's proxies to **support** resolutions asking a company not to conduct destructive operations, such as oil drilling or mining, in these areas.

Ancient Forests: Green Century will vote the Fund's proxies to **support** resolutions that promote the elimination of sales of wood from ancient forests.

Water Use: Green Century will **support** resolutions requesting companies to report on the business risks associated with their use of water, and steps taken to mitigate the impact on water supplies of communities near company operations.

Product Responsibility: Shareholders have asked companies to take responsibility for the environmental impact of their products throughout their lifecycle, including reducing the toxic substances used to make products, and assisting in and promoting the recycling of products. Green Century will vote the Fund's proxies to **support** resolutions in these areas.

Chemical Safety: Shareholders have asked companies to take a variety of actions relating to toxic and potentially toxic chemicals. These actions include phasing out use of the chemicals, reporting on the availability of alternatives, or reporting on the business risk from liability or changed regulations. Green Century will **support** these and similar resolutions.

PVC Plastics: Polyvinyl chloride (PVC) plastics have been linked to cancer and other debilitating illnesses. Green Century will vote the Fund's proxies to **support** resolutions that seek the elimination of the use of PVC.

Mercury: Green Century will vote the Fund's proxies to **support** resolutions that seek the elimination of the use of mercury in consumer and medical products.

Environmental Hazards to Communities: Green Century will **support** resolutions asking companies to disclose the use of substances that pose an environmental health or safety risk to communities in which they operate.

Use of Recycled Materials: Green Century will vote the Fund's proxies to **support** resolutions that encourage the greater use of recycled content in a company's products, and the greater use of recycled paper overall.

CERES Principles: Green Century will vote the Fund's proxies to **support** resolutions asking a company to adopt the CERES Principles.

Animal Welfare: Green Century will **support** resolutions asking restaurants and other corporations to adopt animal welfare standards for their operations worldwide, and to report these standards to shareholders.

Boards of Directors

Green Century will vote the Fund's proxies to support resolutions designed to enhance the independence and diversity of boards of directors.

Candidates for Director: Green Century will, on behalf of the Fund, **withhold** support for a board's nominees if the nominees do not include women or minority candidates. Also, Green Century will, on behalf of the Fund, **withhold** support for a board's nominees if a majority of the candidates are not independent of the company.

Staggered or Classified Boards: Some companies stagger the terms of directors; thus, all directors are not up for election each year. Green Century believes this limits opportunities for shareholder democracy; thus, Green Century will vote the Fund's proxies to **support** resolutions that would eliminate staggered boards.

Cumulative Voting: This practice allows shareholders to cast all of their director votes for one candidate. Green Century will, on behalf of the Fund, **oppose** resolutions that allow for cumulative voting.

Majority Voting: Most U.S. corporations elect their directors based on a plurality vote standard. Under this standard, a director will still be elected, even if 99.9% of shareholders withheld their vote. Green Century will **support** resolutions asking that boards of directors amend the Company's governance documents (certificate of incorporation or bylaws) to require that directors be elected by a majority of votes cast at the annual meeting.

Diversity of Board: Green Century will vote the Fund's proxies to **support** resolutions encouraging companies to adopt policies to promote a diverse slate of board of directors' candidates.

Independent Boards: Green Century will vote the Fund's proxies to **support** resolutions that would require a majority or more of a company's directors to be independent of the company. Green Century will **withhold** our votes from the Chair of the Board if that person is not independent. Green Century will **support** shareholder proposals to separate the position of Chair and CEO, and proposals that request that the position of Chair be held by an independent director who has not served as CEO.

Independence of Committees: Green Century will vote the Fund's proxies to **support** resolutions that would require that audit, compensation, and nominating committees of directors be filled exclusively with independent directors.

Corporate Governance and Corporate Structure

Green Century will vote the Fund's proxies to support resolutions designed to encourage corporate responsibility and democracy.

Auditor Independence: Green Century will **support** the re-appointment of a company's auditor unless it has reason to believe that the independence of the audit may be compromised. Green Century believes that auditors who provide significant non-audit services to a company could have a conflict of interest. Therefore, Green Century will vote the Fund's proxies to **support** the re-appointment of a company's auditor only if the auditor did not receive more than 25% of its fees for non-audit-related services provided to the company, where such data is available. Green Century will include audit-related fees as well as fees related to tax services in our calculation of audit fees. Green Century will **withhold** votes from members of the audit committee where the audit has approved an audit contract where non-audit fees exceed audit

fees. Also, Green Century will vote the Fund's proxies to **support** resolutions that encourage companies to have only audit services provided by the company's auditor. Green Century will also **support** shareholder proposals that set a reasonable period for mandatory rotation of the auditor (at least every five years). In cases where a company removed auditor ratification from the ballot in either 2004 or 2005, Green Century will **withhold** our votes from members of the audit committee. Green Century will support shareholder proposals asking companies to place the ratification of auditors on the agenda.

In-Person Annual Meetings: Some companies have lobbied for the right to replace in-person annual meetings with meetings held via the Internet. Green Century believes that this practice would limit shareholder democracy; thus, Green Century will vote the Fund's proxies to **support** resolutions asking companies to commit to continuing to hold in-person annual meetings.

Rotating Sites of Annual Meetings: Green Century will **support** resolutions asking companies to move their annual meetings around the country so that their owners in different regions have an opportunity to participate in person.

Employee Stock Ownership Plans (ESOP's): Green Century will vote the Fund's proxies to **support** resolutions to create and maintain these plans as a means of fostering employee ownership.

Stock Option Plans: Green Century will vote the Fund's proxies to **support** stock option plans only if at least 90% of the options granted under the plan are granted to non-executive level employees. Green Century will also **support** asking companies to grant performance-based stock options, designed to reward management when a company's stock outperforms the general stock market.

Stock Option Expensing: Green Century will **oppose** the use of stock options where they are not fully expensed, and **support** shareholder proposals calling for companies to expense stock options in the company's annual income statement.

Cash Balanced Pension Plans: In the late 1990s, many companies converted their pension plans from traditional defined benefit pension plans to cash-balance plans, often at a cost to older workers. Green Century will **support** resolutions asking companies to give employees the choice of either a defined benefit pension plan or a cash-balanced plan.

Director and Executive Compensation: Green Century will vote the Fund's proxies to **support** resolutions that request a report on director and executive compensation, as well as resolutions that would require policies to restrict compensation to reasonable levels.

Raises During Layoffs: Green Century will **support** resolutions that require companies to freeze the salaries of corporate officers during layoffs and/or until the positive benefits of the layoffs are demonstrated.

Management Compensation and Environmental and Social Performance: Green Century will vote the Fund's proxies to **support** resolutions that request reports on the link between executive compensation and a company's record on environmental and social issues.

Political contributions: Green Century will vote the Fund's proxies to **support** resolutions encouraging boards of directors to establish corporate political contributions guidelines and reporting provisions, and to produce reports detailing the use of corporate resources for political purposes. Green Century will also **support** proposals advancing principles of corporate nonpartisanship.

Stock Issuance: Green Century will vote the Fund's proxies to **support** the issuance of stock of a company unless the manager has reason to believe that the issuance is designed to thwart a takeover bid.

Mergers and Acquisitions: Mergers and acquisitions will be evaluated on a case-by-case basis, taking into account social, environmental, and financial impacts of the proposed transaction. Green Century will **oppose** any merger or acquisition that would result in a company that would not qualify to be owned by the Fund.

Community

Green Century will vote the Fund's proxies to support resolutions designed to encourage a company to behave responsibly in its interactions and impacts on the communities in which it operates.

Fair Lending Practices: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company adopt fair lending practices, including prohibitions on redlining and on predatory or discriminatory lending.

Excessive Drug Prices: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company report on and implement policies to ensure that consumers are charged a reasonable price for prescriptions medications.

Military and Violence

Green Century will generally vote the Fund's proxies to support resolutions that seek to decrease a company's reliance on sales to the military or promotion of violence.

Handgun Sales: Green Century will vote the Fund's proxies to **support** resolutions asking that mainstream retailers stop selling handguns and ammunition.

Television and Video Game Content: Green Century will vote the Fund's proxies to **support** resolutions requesting a report on standards for television programming and videogame content, especially violent programming and content. In addition, Green Century will **support** resolutions asking retailers to report on their marketing policies for violent video games.

Workplace Violence: Green Century will **support** resolutions asking corporations to develop violence prevention programs in the workplace.

Tobacco

Green Century will vote the Fund's proxies to **support** resolutions which aim to limit or eliminate tobacco sales, use and advertising.

Sales to Minors: Green Century will vote the Fund's proxies to **support** resolutions that call on retailers to stop selling cigarettes and resolutions that ask retailers to ensure that they are not selling tobacco products to minors.

Smoke-Free Policies: Green Century will vote the Fund's proxies to **support** resolutions that encourage restaurants to adopt smoke-free policies.

Tobacco Advertising: Green Century will vote the Fund's proxies to **support** resolutions that request that media companies report on the effects of tobacco advertising and that encourage restrictions on such advertising.

Diversity

Green Century will vote the Fund's proxies to **support** resolutions which encourage greater diversity in the workplace.

Equal Employment and Affirmative Action Reports: Green Century will vote the Fund's proxies to **support** resolutions that request a report on issues relating to equal employment opportunity and affirmative action programs.

Discrimination based on Sexual Orientation: Green Century will vote the Fund's proxies to **support** resolutions that request that a company adopt policies to prohibit discrimination based on sexual orientation.

Pay Equity: Green Century will vote the Fund's proxies to **support** resolutions requesting that a company disclose pay comparisons between its women and minority employees and other employees to ensure that all employees are fairly compensated.

International Issues

Green Century will vote the Fund's proxies to **support** resolutions designed to promote responsible corporate behavior in other nations.

HIV/AIDS: Green Century will vote the Fund's proxies to **support** resolutions that request that a company develop policies to provide HIV/AIDS medications to developing countries at affordable prices. Green Century will also **support** resolutions asking companies to report on the impact of HIV/AIDS on their operations in Sub-Saharan Africa.

Standards of Conduct: Green Century will vote the Fund's proxies to **support** resolutions that request that a company report on and develop policies to regulate their conduct overseas, especially regarding their environmental impact.

Standards for Vendors: Green Century will vote the Fund's proxies to **support** resolutions that request that a company report on and develop policies to regulate the conduct of its vendors, suppliers, and contractors overseas, especially regarding their environmental impact.

Natural Resource Extraction in Developing Countries: Green Century will vote the *Fund's* proxies to **support** resolutions that request a report on the impact of natural resource development on indigenous populations.

Policies and Procedures for Both the Balanced Fund and the Equity Fund: Miscellaneous Issues

Green Century will vote each Fund's proxies on a **case-by-case** basis on any other issues that may arise for which a policy has not been specified.

Conflict of Interest Policies and Procedures

Where voting on a particular issue on behalf of a Fund may represent a material conflict between the interests of the Fund and the interests of Green Century, Green Century will provide full disclosure, prior to voting the proxy in question, to a committee of the Board which shall be comprised solely of independent Trustees. The disclosure will include an explanation of the issue, the potential conflict involved, and Green Century's proposed resolution of that conflict. The committee of the Board has the authority to approve or change Green Century's proposed vote on the proxy issue in question. In following these procedures, Green Century's goal is to vote at all times in accordance with the best interests of the Fund and its shareholders.

Proxy Voting Procedures

Green Century has established procedures to ensure that its proxy votes on behalf of the Funds are based on the best available knowledge and careful consideration of the best interests of the Funds. Before voting a proxy, Green Century staff conduct a thorough review of the proxy materials, weighing the views of management and any opposing views that are presented. The Green Century staff then recommend a voting position on each issue in the proxy; in making recommendations, the Green Century staff are guided by the Policies and Procedures and strive to make each vote in accordance with them, unless such a vote would not be in the best interests of a Fund. A Green Century corporate officer reviews all recommendations, makes final determinations on a Fund's votes, and signs all voted proxy documents.

Disclosure of Proxy Voting Policies and Procedures

As representatives of the Funds, each member of the Board of Trustees is entitled to request a copy, without charge, of the Policies and Procedures from Green Century at any time. Members of the Board of Trustees may do so by sending a written request to 114 State Street, Suite 200, Boston, MA 02109; an email request to info@greencentury.com; or a telephone request by calling 1-800-93-GREEN.

The Funds' shareholders and others may obtain a description of Green Century's Policies and Procedures without charge through any of the above-listed methods, as well as access this information at the Green Century Funds' website, www.greencentury.com. Green Century will mail a description of the Policies and Procedures via first class mail no later than three business days following receipt of the request. Beginning with a Fund's Annual Report for the period ended July 31, 2003, all of each Fund's Semi-Annual and Annual Reports have and will include disclosure notifying shareholders that they may obtain Green Century Policies and Procedures through these methods. Also, the Policies and Procedures have and will be attached to each Fund's Statement of Additional Information effective November, 2003 and thereafter.

Disclosure of Proxy Votes

As representatives of the Funds, each member of the Board of Trustees is entitled to at any time request a copy, without charge, of a record of how Green Century voted proxies on behalf of a Fund. Members of the Board of Trustees may do so by sending a written request to 114 State Street, Suite 200, Boston, MA 02109; an email request to info@greencentury.com; or a telephone request by calling 1-800-93-GREEN.

The Funds' shareholders and others may obtain a copy of a Fund's proxy voting record without charge through any of the above-listed methods, as well as access this information at the Green Century Funds' website, www.greencentury.com. Green Century will mail a copy of the proxy voting record via first class mail no later than three business days following receipt of the request. Green Century intends to post the information included in Form N-PX to the Green Century Funds' website on the same day that it files Form N-PX with the SEC. Beginning with a Fund's Annual Report for the period ended July 31, 2004, all Semi-Annual and Annual Reports of each Fund have and will include disclosure notifying shareholders that they may obtain a Fund's proxy voting record for the previous year through these methods. Also, each Fund's Statement of Additional Information effective from and after November, 2004 has and will include this disclosure.

By August 31, 2004, and by each August 31 thereafter, Green Century has and will file Form N-PX on each Fund's behalf, disclosing information relating to any securities for which a Fund was entitled to vote during the one-year period ended the previous June 30; the initial report covered the one-year period ended June 30, 2004. A Fund's Form N-PX has and will include information on the Fund's votes during the period covered, including the company's name, its ticker symbol, its CUSIP number, the meeting date, the issue voted on, whether the issue was proposed by management or a shareholder, whether the Fund voted, how the Fund voted, and whether the Fund voted with or against management.

Recordkeeping Procedures

Green Century will keep and maintain the following records regarding its proxy voting on behalf of each Fund: Green Century's Policies and Procedures; proxy statements received regarding securities held by a Fund; records of votes Green Century cast on behalf of a Fund; records of requests from members of the Board of Trustees (and shareholders of the Funds) for the Policies and Procedures and/or proxy voting information and, in the case of requests for the proxy voting record, records of Green Century's response;

and any documents created by Green Century that were material to making a proxy voting decision, or that document the basis for the decision. These records are kept in Green Century's office. Green Century keeps these records in its office for at least two years after the end of the fiscal year in which the record was last revised or updated. Green Century has no current plans to move any of these records from its offices at any time.

For More Information, contact Green Century at 1-800-93-GREEN, or email info@greencentury.com.