

AMALGAMATED BANK LONGVIEW FUNDS **SHAREHOLDER ACTIVITIES FOR 2007**

2007 marks the 15th anniversary of the Amalgamated Bank LongView Funds, which continued their pioneering work to improve corporate governance as a way to enhance the performance of portfolio companies.

During the 2007 shareholder season, the LongView Funds filed over 25 shareholder resolutions on a range of topics, with executive compensation and options backdating being a special focus of interest. Approximately half of the total resolutions were withdrawn after the Funds held dialogues with the companies on the policy issues presented by the Funds' proposals.

Executive Compensation.

Executive compensation remained a major focus of the Funds' efforts this year, and a number of topics were covered. The unfolding options scandal surprised and infuriated many investors, as executives backdated options so as to make them more valuable, thus severing the link between executive pay and performance. The SEC and Justice Department opened investigations into more than 100 companies, with some executives indicted for the practice.

The LongView Funds became the first investor to address the issue pro-actively by urging some of the companies being investigated to adopt "best practices" designed to eliminate future backdating schemes. The Funds held useful dialogues with companies that had been investigated, including **Analog**, **Brooks Automation**, **Macrovision**, **McAfee**, **Progress Software**, **Sanmina SCI** and **Semtech**. When these firms indicated that they had adopted or would adopt policies on backdating, the Funds withdrew their resolutions.

Despite efforts by some to minimize the importance of the backdating scandals, the Funds' efforts did show that investors take backdating very seriously. The Funds' proposals came to a vote at two companies, **Apple** and **CVS/Caremark**, and the Funds won a 47% "yes" vote at Apple, and a 48% "yes" vote at CVS/Caremark, extraordinarily high votes for a first-time proposal.

Backdating was not the only area of interest. The LongView Funds joined a number of other investors in proposing that companies give their shareholders an opportunity to register approval or non-approval of executive pay practices at

each year's annual meeting. Such a "say-on-pay" vote is successfully employed in other countries, including Australia and the United Kingdom. An advisory vote on executive pay is viewed by a number of investors as a useful way for shareholders and the board of directors to have a dialogue on whether pay matches performance, without shareholders trying to dictate specific pay packages. In 2007 the Funds offered this proposal as **Wal-Mart Stores**, where it received a low vote because of significant family holdings. At **Bed Bath & Beyond's** annual meeting, the proposal received a 36% yes vote.

In other areas, the Funds continued efforts to rein in exorbitant golden parachutes by successfully negotiating with **Halliburton** over a policy to give shareholders a vote if severance packages for departing executives exceed a certain threshold. This decision came following a successful vote on the issue at Halliburton in 2005. The Funds proposed a similar policy at **Lowe's Companies**, but the proposal failed to achieve a majority.

The Funds also pressed **Sunrise Senior Living** to adopt a policy that the board will review performance-based bonuses in the event of a financial restatement, in order to make sure that any unearned bonuses are returned to the benefit of shareholders. The Company's annual meeting was delayed due to outstanding financial statement filings, and shareholders were required to cast their proxy ballots in person at the meeting. Even with these constraints, the proposal was supported by 29% of shareholders.

Recognizing that compensation consultants often play an important behind-the-scenes role when it comes to executive pay, the Funds offered a separate proposal at **CVS/Caremark** to require disclosure of all business that a compensation consultant has with a company it is advising on executive pay. The idea is to avoid potential conflicts of interest in this area, and the proposal received a 45% "yes" vote.

Corporate Governance.

Acting on a belief that directors should be fully accountable to shareholders, the LongView Funds were active on several fronts. The Funds joined other investors in proposing that directors be elected by a majority of the shares voted, thus ending the current practice whereby directors can be elected even if a majority of shareholders withhold their votes for an individual candidate. **Pepsi Bottling Group** agreed to implement a majority vote policy after receiving a proposal from the Funds.

The Funds continued their effort to end "classified" boards, where directors are elected to staggered, multi-year terms, and have asked companies to adopt annual elections for all directors. This is a reform that is rapidly gaining acceptance, as evidenced by the fact that three companies – **Martek Biosciences**, **Tollgrade**, and **United Rentals** – agreed to propose board

declassification to their shareholders in 2007. Shareholders at **Napster** supported the Funds' proposal by a 51% majority, and the Company's board subsequently agreed to implement declassification by supporting a by-law change proposal at its 2008 annual meeting. The one company that did not agree to this change, **Arkansas Best**, saw shareholders request that reform with a 64% "yes" vote.

The LongView Funds continued their focus on the lack of voting rights enjoyed by shareholders at companies having two classes of stock, typically companies where the founder or founding family owns shares in a class of stock that has disproportionate voting power. These proposals typically get a low vote (owing to disproportionate stock ownership), but the presence of a "one share, one vote" proposal in the proxy is a way of focusing investor attention on the issue, which can sometimes lead to change. In 2007, the Funds proposed this reform at **Hovnanian Enterprises**, which has been underperforming its peers while paying generous compensation package to top executives.

On another shareholder access issue, the Funds also filed a proposal at **Smithfield Foods** to permit a shareholder vote on certain acquisitions that are otherwise crafted to avoid the need for such a vote under stock exchange listing standards.

Business Standards.

Over the years, the LongView Funds have sought to raise issues that involve long-term economic risks or that could affect corporate reputation and, with it, shareholder value. Although these proposals generally do not receive a majority vote, the fact that an issue is being raised publicly can highlight the question for investors and management alike.

In 2007, the Funds sponsored proposals urging preparation of a report on sustainability issues at **Dillard's**, and they urged **Urban Outfitters** to adopt a workplace code of conduct for suppliers and vendors based on the International Labor Organization's ("ILO") Conventions. The Funds also asked **DuPont** for a report on the feasibility of expeditiously phasing out PFOAs, a product used in Teflon that has been associated with environmental and health hazards. **Comcast** was asked to prepare a report on its policies with respect to political contributions.

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2007 LongView Proposals		
Company	Issue	Results
Executive Compensation		
Bed Bath and Beyond	Advisory vote on executive compensation	36% yes vote
Wal-Mart	Advisory vote on executive compensation	17% yes vote
Sunrise Senior Living	Clawback	29% yes vote
CVS	Compensation consultant	45% yes vote
Lowe's Companies	Golden parachutes	29% yes vote
Halliburton	Golden parachutes (by-law)	Withdrawn: Successful negotiations
Analog	Stock Option reform	Withdrawn: Successful negotiations
Apple Computer	Stock Option reform	47% yes vote
Brooks Automation	Stock Option reform	Withdrawn: Successful negotiations
CVS	Stock Option reform	48% yes vote
Macrovision	Stock Option reform	Withdrawn: Successful negotiations
McAfee	Stock Option reform	Withdrawn: Successful negotiations
Progress Software	Stock Option reform	Withdrawn: Successful negotiations
Sanmina SCI	Stock Option reform	Withdrawn: Successful negotiations
Semtech	Stock Option reform	Withdrawn: Successful negotiations
Shareholder Access to Governance		
Arkansas Best	Declassify board of directors	64% yes vote
Martek Biosciences	Declassify board of directors	Withdrawn: Adopted LV proposal
Napster	Declassify board of directors	51% yes vote
Tollgrade	Declassify board of directors	Withdrawn: Adopted LV proposal
United Rentals	Declassify board of directors	Withdrawn: Adopted LV proposal
Hovnanian Homes	Dual class	14% yes vote
Pepsi Bottling	Majority Vote	Withdrawn: Adopted LV proposal
Board & Management Accountability		
Comcast	Political contributions disclosure	6% yes vote
Smithfield Foods	S/H approval of acquisitions	3% yes vote
Workplace Responsibility and Corporate Citizenship		
Dillard's	Sustainability Report	46% yes vote
DuPont	Report on PFOAs	23% yes vote
Urban Outfitters	Sourcing Standards	19% yes vote