SPRING 2002
VOLUME 11, No. 1

Values

Walden Asset Management a Investing for Social Change Since 1975

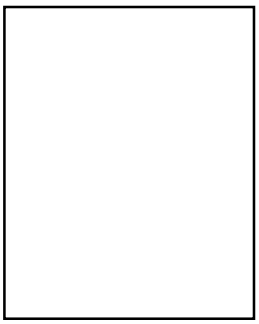
Workers and Their Capital

Labor Unions as Shareholder Activists

Ralph Nader has said that the American people would have great power for social change if we controlled what we owned: millions of acres of federal lands, hundreds of billions of savings deposits, trillions in pension fund assets, and much more. While citizens nominally "own" these vast resources, control over them is vested in federal agencies, banks, and money managers.

U.S. pension fund assets total over $7 trillion, the biggest source of investment capital in the world. These funds are tantalizingly huge but are blocked from worker control or influence by federal laws and regulations. Labor unions directly influence only one type of pension fund: labor union-sponsored, multi-employer pension funds. These are formally known as joint trustee Taft-Hartley pension funds, representing $420 billion or 6 percent of pension fund assets. Labor unions and employers have equal representation as the trustees for these funds. In contrast, the bulk of U.S. pension fund assets are with company-sponsored and public employee pension funds.

Labor unions realize that this vast wealth has little influence on financial markets and companies for the benefit of working people. "We asked money managers what they were doing with our pension funds and assets," said Leo Gerard, president of the United Steelworkers of America (USWA). "Why do their decisions have such negative repercussions for the beneficiaries – working people?" Examples include plant closings and factories moving overseas, among others.



Steven Heim is a social research analyst. Since 1994, he has also worked closely with Rural Vermont, a family farm and environmental advocacy group.

Many labor investors, like social investors, share a similar investment goal: strong financial returns that augment labor's mission. So, labor unions have called for the "high road" to corporate competitiveness through adopting high performance workplace practices, compliance with labor and environmental laws and regulations and respect for the basic rights of all workers. They employ three main strategies using pension fund assets:

(1) Shareholder resolutions promoting good corporate governance and policies that benefit workers;

(2) Proxy voting guidelines and investment manager evaluations; and

(3) Targeted investments supporting economic development and worker-friendly companies.

U.S. labor unions, along with public pension funds, have sponsored many shareholder resolutions dealing with corporate governance and board accountability, such as executive compensation, classified boards, and tender offer defenses. Along with social investors, labor unions supported resolutions against apartheid in South Africa. Recently, labor unions have sponsored shareholder resolutions more directly related to workers such as on Equal Employment Opportunity (EEO), operations in Burma, and global labor codes of conduct.

In fact, U.S. labor unions have used shareholder resolutions and activism as part of corporate campaigns and unionizing drives. Successful initiatives include Rio Tinto (2000), Marriott and Union Pacific (1998), and Wheeling Pittsburgh Steel (1997). The three-year global shareholder campaign against Rio Tinto, the world's largest mining company,

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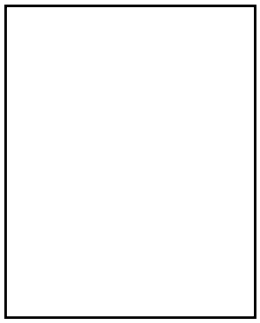
Stock Market Risk and Core Investing

The annualized rate of return for the Standard and Poor's 500 Index (S&P 500) for the five years ending in December 2001 was 10.7 percent, consistent with the long term average rate of return on stocks. But the unusual path of those returns tells us something about the risk and return characteristics intrinsic to index funds, and importantly, the benefits of true core investing, stressing broad diversification and reasonable valuation.

The first three years, 1997-1999, were among the best stock market years of the century, with the S&P 500 gaining 108 percent and the technology-laden NASDAQ rising an astounding 215 percent. In stark contrast, the years 2000 and 2001 were the first two consecutive down years for the S&P 500 since 1973-1974 and produced a loss of 20 percent for the S&P 500 and 52 percent for the NASDAQ, reducing the five year return to about the historical average.

Why did so many investors go along for this wild ride just to end up with an average return? The whole phenomenon of index investing and a new paradigm for thinking about risk in the 1990s explains much of the story. Investors began to think of risk simply as deviation from "the market." This belief is based on the assumption that a market index is always efficient; that is, through diversification it provides the best return-to-risk ratio. The argument is that managers who follow a "core" approach, stressing diversification and risk control, should have investment returns and portfolio characteristics that mirror the S&P 500, by definition the core of the market. A core manager may be criticized for taking risk by changing style if a portfolio's returns and characteristics, such as average price/earnings ratio or average market capitalization, differ too much from the S&P 500.



Bob Lincoln is a senior portfolio manager and United States Trust Company's chief strategist. Bob chairs our Investment Policy Committee and manages value, growth and core portfolios.

We believe strongly that such relativistic thinking displays a fundamental misinterpretation of the true concept of investment risk. It confuses the *manager's* risk that portfolio returns will deviate from the S&P 500 benchmark with the *investor's* appropriate concern that his or her portfolio's return will vary sharply and unpredictably from year to year.

The unusual investment performance of the S&P 500 over the last five years came about almost entirely from the price increases and decreases of high-priced technology/internet stocks. In 1998, with the S&P 500 up by 28 percent, the average stock gained only 4 percent. In 1999, when the S&P 500 was up 21 percent, there were actually more stocks that decreased in value than increased. Almost all of the S&P 500 return came from the price increases of a relatively few large and highly valued stocks. At the end of 1999, the 100 S&P 500 stocks with the highest price/earnings (P/E) ratios had an average P/E over 60 and accounted for close to half of the market value of the index. The other 400 stocks, accounting for the remaining half, were reasonably priced at an average P/E of about 17. In other words, the market-weighted index became concentrated, unbalanced, and *inefficient* in this period, exposing index investors to substantial risk.

In 2000 and 2001, the technology sector was the big loser. In 2000 the technology sector lost 32 percent, accounting for just about the entire 9 percent decline in the S&P 500. The average stock actually gained 10.5 percent in 2000. Similarly in 2001, technology stocks lost 26 percent, leading the S&P 500 to a loss of 12 percent while the average S&P stock lost only 2 percent.

At Walden, we think of ourselves primarily as core investors with a focus on higher quality stocks. Throughout the 1980s and for much of the 1990s we implemented an equity investment approach that sought "above-average companies at average prices." Over most of this time period, "average price" was defined as the P/E relative to the S&P 500. But in 1998 and especially in 1999 the P/E of the S&P 500 increased to unprecedented high levels. More importantly, as noted above, the variation of P/E ratios for individual stocks grew dramatically. In such

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About Walden Asset Management

Walden Asset Management is the socially responsive investment division of United States Trust Company of Boston. Walden began offering socially responsive investment services in 1975. We are among the largest and most experienced investment managers specializing in services for individual and institutional investors with social concerns.

For further information, contact Geeta Aiyer at (617) 726-7250.

About This Newsletter

This newsletter is designed to share our thinking about trends and issues in socially responsive investing and to generate dialogue with our readers. We invite you to comment on any article in the newsletter by calling your portfolio manager (617-726-7250) or by writing Heidi Soumerai or Stefanie Haug, co-editors, at the following address: Walden Asset Management, 40 Court St., Boston, MA 02108. FAX: (617) 227-2690.

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Cutting Edge Companies

The Student Loan Corporation

This column highlights companies in the business of providing solutions to social and environmental challenges. Featured companies are typically held in the SmallCap Innovations portfolios offered to Walden's clients.

The Baby Boomers' kids are going to college. With education tuition costs up 6 percent in 2001, college isn't getting any cheaper. But, the cost of *not* going to college keeps rising as well. According to Census Bureau data, those with a college degree on average earned $26,000 (or 82 percent) more than their counterparts with high school diplomas in 2000. This wage premium grew from 62 percent in 1991 and continues a longer-term trend.

An Innovations portfolio company is helping to make higher education a reality for more students. Connecticut-based Student Loan Corp. (SLC) is the largest originator of loans under the U.S. Department of Education (USED) Federal Family Education Loan Program (FFELP). This program is one of two major federal student loan programs that provide loans to college students that are guaranteed by state or non-profit agencies, and that cap their interest rates for affordability. SLC disbursed $3 billion in student loans to 2 million students in 2001.

SLC benefits from bipartisan federal support for higher education lending. The fiscal year 2002 federal budget earmarked $26.5 billion for new FFELP loans, a 7 percent increase over the previous year. President Bush's 2003 budget requests an additional increase of 15 percent. Demographic forces are also working in SLC's favor. Enrollment in degree-granting institutions is projected to increase 20 percent from 14.8 million in 1998 to 17.7 million in 2010, according to USED's National Center for Education Statistics.

In addition to originating (or making) federally insured student loans, SLC holds and services them through a trust agreement with Citibank. At $18 billion, SLC has the second largest portfolio of such loans after Sallie Mae. SLC's loan portfolio includes subsidized Federal Stafford loans, unsubsidized Federal Stafford loans, Parent Loans to Undergraduate Students, Federal Consolidation loans, and Health Professions Education Loans. Subsidized Stafford loans account for approximately one-third of this portfolio. These loans are need-based and thus make college more accessible to low- to moderate-income students.
—K. Scott

Stock Market Risk

(continued from previous page)

an environment our core equity approach, which provides broad diversification and controlled risk, and avoids extremely high-priced stocks, led us to a portfolio with an overall P/E well below that of the S&P 500.

How did a true core investor fare over the full 1997-2001 market cycle? The accompanying chart shows the returns of the Walden social equity core composite versus the S&P 500. As expected, the Walden returns trailed the S&P 500 for 1997-1999 but held up much better in 2000 and 2001. The result is a total return for the five years of 87.6 percent (13.4 percent annualized) compared with 66.2 percent (10.7 percent annualized) for the S&P 500. Importantly, this positive outcome was accomplished with less variability of returns than experienced by the S&P 500. Other managers who followed a true core approach realized returns that followed a similar pattern. (Past performance is not a guarantee of future results.)

Investment Risk and Return 1997-2001

	Walden Core Equity*	S&P 500
1997	33.1%	33.4%
1998	27.5%	28.6%
1999	13.9%	21.0%
2000	3.7%	-9.1%
2001	-6.4%	-11.9%
Total Return	87.6%	66.2%
Annulized Return	13.4%	10.7%
Variability	17.8%	19.3%

* TAX-EXEMPT SOCIALLY SCREENED EQUITY COMPOSITE

Index fund investors trust the market to be extremely efficient. They believe that market forces will act to value securities correctly. However, recent experience demonstrates that the market undergoes periods of irrationality that result in added risk for index investors. A true core approach can produce as good or better returns than the market index, and do so with less risk. —B. Lincoln

Disclosure Notes (the terms "account" and "portfolio" used herein are inter-changeable):
(1) (a) United States Trust Company Boston (USTC) investment management has prepared and presented these results in compliance with the AIMR-PPSTM for all periods. AIMR has not been involved with the presentation or review of this report. (b) A list of all USTC Composites is available upon request. (c) See table above for performance regarding USTC's Tax-Exempt Socially Screened Equity Composite. (d) A fee schedule will accompany all presentations. (e) Past performance is no guarantee of future performance.
(2) Firm: (a) USTC (the "Firm") is defined as an independently operated wholly owned subsidiary of the Providence based bank holding company, Citizens Financial Group, Inc., effective 1/11/00. (b) USTC offers portfolio management, of primarily U.S. based securities, in separate or commingled vehicles for: taxable, tax exempt and socially responsive investing. (c) USTC, the Firm, manages assets totaling $3.7B in over 800 client accounts as of 12/31/99.
(3) Construction: (a) All actual fee paying, fully discretionary accounts are included in at least one composite defined according to similar strategy or investment objective. This composite includes: all separately managed, tax-exempt, equity portfolios with social screening criteria applied, including the equity segment of applicable balanced portfolios. (b) The minimum account market value (MV) for composite inclusion is $1mm and accounts remain in the composite even if its MV subsequently falls below $1mm.
(4) Disclosures: (a) Performance is gross of management fees but net of trading costs; thus, Client's return will be reduced by these and any other expenses incurred in the management of its account. (b) The dispersion, of portfolio returns (full year) around the aggregate composite return, is an asset-weighted standard deviation. (c) When a balanced portfolio segment is included in a single-asset composite: (i) cash is allocated based on actual use in the segmented strategy, 1% equity and 99% fixed income, consistent with USTC's investment policy, which is to view cash as an integral part of the fixed income portfolio. (ii) segment performance is only for the periods 1/1/93 through present (pre 1/1/93 segment data is not available). (iii) account segment market values which fall below $1mm are allowed, as an exception to (3) (b) above.
(5) Calculations: (a) Performance is calculated using trade-date b) Composite returns for each account is calculated monthly and asset-weighted by monthly beginning MVs (as of 1/1/99). Performance for periods 1/1/91 to 12/31/98 is calculated quarterly and weighted by quarterly beginning MVs.

Social Research and Action

MAKING AN IMPACT

Fostering Corporate Social Responsibility

Walden's active corporate engagement continues to promote tangible results – changes in policies, practices or increased transparency. While Walden provided leadership in the recent accomplishments noted below, success comes from our commitment to work in concert with others, including faith-based and other institutional investors, nongovernmental organizations and unions.

FleetBoston Financial and **Bemis** agreed to strengthen reporting on diversity initiatives including adopting a policy to make available comprehensive workforce composition data by race and gender.

Teleflex and **Affiliated Computer Services** amended their nondiscrimination policies to explicitly include sexual orientation.

J.C. Penney (owner of Eckerd Drug Stores) pledged to end substantially all sales of mercury thermometers by the end of March. Hospital chain **HCA** disclosed publicly that it has discontinued purchases of mercury-containing medical devices, and that it will phase out all such devices by January 2005. Mercury pollution puts 10 percent of newborn babies at risk of neurological damage each year in the United States, and is linked to fish consumption advisories in 41 states.

Lehman Brothers, along with the coal mining company **Peabody Energy** in which it has a controlling interest, agreed to specific actions that will help ensure the protection of the Navajo Aquifier water supply. This threatened water source is crucial to the economic and cultural livelihood of the Hopi and Navajo Nations.

Investors in British energy giant **BP** will get to cast their proxy votes on the issue of drilling in environmentally sensitive areas, including on the coastal plain of the Arctic National Wildlife Refuge. Walden is a leader among the filers, a group of more than 100 investors. A similar proxy resolution in 2001 did not meet BP's interpretation of the UK legal filing requirements and was consequently omitted from the ballot.

With the 2002 proxy resolution season in full swing, this year will be every bit as comprehensive and successful as 2001. Walden filed 33 resolutions on a wide range of environmental, social, and corporate governance issues, and is a lead proponent in dialogue and negotiations with 16 companies. (See *Walden's 2002 Shareholder Resolutions*, at right.)

But Walden does not measure success by simply counting resolutions. They are but one of several tools that Walden uses to influence company decision-makers, and usually are pursued as a last resort. Our ultimate purpose is to help improve corporate practices on a variety of issues that our clients care about. Many of Walden's significant breakthroughs result from dialogues and shareholder resolutions that never make it to the proxy ballots because companies commit to new policies or practices. Already this season there are many such victories. (See *Making an Impact*, at left)

New in 2002

Walden is co-filing resolutions on two new issues this year. The first addresses international drug access at major pharmaceutical companies. Specifically, the resolution calls for **Bristol-Myers Squibb** to develop and implement a policy to provide affordable drugs for the treatment and prevention of HIV/AIDS, tuberculosis (TB) and malaria in afflicted African nations. The HIV/AIDS epidemic is a global emergency of epic proportions. By the end of 2000, sub-Saharan Africa accounted for approximately 75 percent of the 36.1 million people worldwide living with HIV/AIDS. TB is the world's leading infectious killer, causing 2 million deaths each year, while malaria claims more than 1 million lives annually. Building on our recent dialogues and experience addressing drug access issues, Walden joins religious investors in seeking greater industry leadership on this life and death issue.

The second new resolution, led by the Calvert Group, asks technology leader **Dell** to adopt a policy and implement practices of comprehensive producer responsibility. In effect, we are requesting a commitment to minimizing environmental impacts of products during their entire life cycle – manufacture, use, and end-of-life. The manufacture of a typical computer workstation requires hundreds of hazardous chemicals, and the vast majority of computers are not recycled. The National Safety Council estimated that 40 million computers became obsolete in 2001 alone.

EMC is a major focus...and frustration

Walden is a leader of a broad coalition of 20 institutional investors raising three separate issues at **EMC** via proxy resolutions: board independence, board diversity, and in-person annual general meetings. Ironically, while EMC has never taken

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Walden's 2002 Shareholder Resolutions

The Environment
Climate Change: Chevron Texaco, Exxon-Mobil, Occidental Petroleum
Drilling in Environmentally Sensitive Areas, including the Arctic: BP
Genetically Modified Foods: Albertson's, Kroger, Tricon Global Restaurants
Mercury Pollution: J.C. Penny, HCA
Recycling: Coca-Cola, PepsiCo, Dell, IBM

Diversity and Discrimination Issues
Board Diversity: EMC
Comprehensive Diversity Report: FleetBoston Financial, Bemis
Inclusive Non-Discrimination Policy: Teleflex, Alltel, Exxon-Mobil
Predatory Lending: Conseco

Health
Drug Access: Abbot, Bristol-Meyers Squibb
Tobacco-Cigarette Filters: Eastman Chemical

Sweatshops/ Human Rights Overseas
Indigenous Rights: Lehman Brothers
Sweatshop/Vendor Standards: TJX, Kohl's, Delphi Automotive, Hasbro, Sears, Lowe's

Corporate Governance
Adopt Policy Committing to In-Person Annual Shareholder Meetings: EMC
Board Independence: EMC
Tie Executive Compensation to Social Performance: Unocal

Social Research

(continued from previous page)

the time to respond meaningfully to most requests for dialogue over the last two years, the company buried us in hundreds of pages of legal challenges to the SEC in its attempt to omit the resolutions. EMC argues that the resolution seeking greater diversity by gender and race (EMC has an all white, male board) is moot because "the Directors do have diverse backgrounds. …[They] range in age from 43 to 71 and previously held or continue to hold positions at various businesses across a number of industries." This response would seem to indicate that EMC does not "get it."

Similarly, EMC makes empty claims of mootness with regard to the other resolutions. The recent dual resignations of former EMC executive and chairman Richard Egan and his spouse for Egan to assume his post as U.S. ambassador to Ireland did affect the ratio of the independent vs. dependent board members. Despite the appointment of a new independent director, however, EMC's existing board structure still does not pass muster under many institutional investors' definition of sound corporate governance. The company also declares moot the third resolution, asking EMC to adopt a policy committing to in-person annual meetings of shareholders, because EMC *currently* holds such meetings. No matter that EMC lobbied actively for a change in Massachusetts law that would allow *Internet-only* meetings.

We are optimistic that the SEC will see these and other EMC arguments for what they are – absurd attempts to deny shareholders their right to raise serious corporate governance and social policy concerns through the proxy process. –H.Soumerai

Heidi Soumerai is director of Walden's social research group. She also co-chairs our Social Planning & Policy Committee.

The Walden Community

Walden was pleased to receive the 2002 Money Manager Award by *Business Ethics* magazine in its fourth annual Social Investing Awards for Walden's "sterling performance both financially and socially."

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In March, **Tim Smith** received the second annual Aaron Feuerstein Spirituality and Business Award from the **International Symposium on Spirituality & Business** which provides a forum for dialogue and programs connecting spirituality and business. Aaron Feuerstein, Pres. & CEO of Malden Mills, presented Tim with the award.

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Massachusetts recently signed into law a bill that phases out the sale of mercury thermometers. **Ken Scott** joined representatives of **Health Care Without Harm** and **Clean Water Action** to testify in support of the bill, which was introduced by Representative James Marzilli of Somerville.

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Stefanie Haug joined the Board of the **Rugmark Foundation** (www.rugmark.org), the only independent US nonprofit working to end child labor and offer educational opportunities for children in the hand-made carpet industry in India, Nepal and Pakistan.

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Geeta Aiyer was featured as a donor in the annual report of the **Boston Women's Fund**, Massachusetts' oldest women-run foundation supporting innovative social change and economic justice projects led by women and girls.

Institute for Community Economics

Through our Community Development Investment Service, Walden clients have invested over $7 million in community development banks, credit unions, and loan funds. We are pleased to have included Institute for Community Economics in this service.

Just five years ago, Christine Grant found herself at a cross roads - newly divorced and completing her college degree, with three children living at home and no job or savings. "Buying a house was out of the question," she remembers. A friend recommended she talk to the Cheshire Housing Trust, a community land trust based in Keene, New Hampshire. Within a year, the Cheshire Housing Trust, in collaboration with the NH Housing Finance Authority, arranged a plan whereby Christine and her family could live in and rent a home while part of the monthly payment went into a separate fund toward the down payment. Today, Christine says, "I am now the very proud owner of a lovely home … that, were it not a part of a community land trust, I would not have been able to rent, let alone own."

Christine's story is a familiar one to many residents of community land trusts (CLTs) throughout the country. The concept is a simple one: an initial public or private subsidy allows the CLT to purchase property at a reduced price. The CLT retains ownership of the land, taking it out of the purchase price and selling the house at a reduced cost to a low-income homebuyer. The buyer owns the home, and the CLT retains the land. If the homeowner decides to sell, he or she shares any appreciation with the land trust, allowing the land trust to preserve the home's affordability for another renewable 99-year period. The CLT buyer, typically someone who never dreamed of owning a home, gets the advantages of homeownership: tax benefits, long-term security, equity appreciation, and the simple delight of making a house a home - all while paying a mortgage that is often lower than rent.

Arguably, no other affordable homeownership tool is as long-lasting and empowering as the CLT, a democratically controlled nonprofit organization that owns real estate to make land and housing affordable for community residents who cannot otherwise afford them. Initially considered a radical concept when the founders of the Institute for Community Economics (ICE) created the model 30 years ago, there are now nearly 120 and county CLTs nation-wide due to ICE's other initiatives. The Cheshire Housing Trust is just one of the land trusts ICE supports and has helped to develop since it established a Revolving Loan Fund in response to local housing organizations need for capital to acquire and develop property. Funds from ICE's loan fund assist CLTs, equity cooperatives, and community-based nonprofit organizations to finance the acquisition or improvement of land or the acquisition, construction, and rehabilitation of housing. Since its founding in 1979, ICE's loan fund has loaned over $37 million to more than 400 nonprofit borrowers in 30 states.

In addition, ICE's highly experienced technical assistance providers help CLTs nationwide to develop initiatives and train CLT boards, staff, and residents. Also, ICE collaborates with approximately 120 grassroots leaders on the CLT Network, a national advocacy and networking coalition of existing and emerging CLTs.

Today, the size and number of CLTs is growing dramatically around the country, and many of them address local issues beyond housing: the environment, urban sprawl, economic development, sustainable agriculture, and preserving cultural heritage. In this way, ICE has brought a multi-faceted and multi-impact approach to the community development movement as it works to secure affordable housing for future generations. –EYates

For more information, please contact Eric Yates at (413) 746-8660, ext. 106 or visit www.iceclt.org.

Resident Christine Grant relaxing outside of her CLT home in Keene, New Hampshire.

Shareholder Activists

(continued from page 1)

was the first led by global unions, including U.S. unions. In May 2000, the two union-sponsored proposals received 20 percent and 17 percent of the votes, the former addressed corporate governance issues and the latter called for Rio Tinto to comply with basic trade union rights globally. This strong support encouraged Rio Tinto to reach new labor agreements in Australia after years of fighting to oust the miners' union.

Labor unions are also using proxy voting guidelines and investment manager evaluations as a tool. *Investing in Our Future: AFL-CIO Proxy Voting Guidelines* is the AFL-CIO's general guide for voting proxies for multi-employer pension funds. Since 1997, the AFL-CIO also conducts the AFL-CIO *Key Votes Survey*, which ranks Taft-Hartley money managers on key votes ranging from executive compensation to employment discrimination to see whether they voted union pension fund proxies in ways that benefited workers. Also, the AFL-CIO's *Investment Products Review* rates 40 investment products that market themselves as worker-friendly in four areas: real estate and mortgages, public equity, private capital, and international.

Specifically, the AFL-CIO's *Key Votes* for 2001 asked investment managers to back several shareholder resolutions sponsored by labor unions. These initiatives included corporate governance and employment-related proposals such as: EEO reporting (American International Group), linking executive compensation to human capital measures (Earthgrains and United Technologies), reporting on business practices in Burma (Halliburton), incorporating International Labor Organization (ILO) principles in a code of vendor conduct (Hudson's Bay Co.) and divesting from PetroChina (BP Amoco).

Like other pension funds, labor unions invest a small portion of their pension money in private equity investment pools for greater financial returns. Unions, however, are targeting their funds to also foster complementary benefits of job creation and retention, better working conditions and pay, and economic development. Examples of projects they fund include union-built power plants and construction projects and shopping centers anchored by union supermarkets. The Heartland Labor Capital Network, with support from the USWA, is drawing from successful Canadian models of union-funded venture capital funds to promote regional, jobs-oriented investment strategies for union pension funds.

Apart from targeted investments, the main gains from labor-shareholder activism may be political rather than economic, according to Marlene O'Connor, a law professor at Stetson University in Florida. She says the U.S. labor movement benefits by (1) generating positive publicity from making management more accountable, (2) demonstrating that working people are the beneficiaries of many institutional shareholders, (3) establishing that such shareholder activism is politically feasible and gains bipartisan support, and (4) altering managers' perception of workers' interest in their investments. O'Connor argues that "corporate governance will trump labor laws in importance, and shareholder rights will constitute a new focal point for labor relations in the twenty-first century."

In the end, providing a secure and decent retirement is the goal for labor's pension funds — or any pension fund. Achieving that goal will provide collateral benefits for today's workers, here and abroad, through inspired shareholder activism. Already, labor unions and social investors share many activist strategies to influence company practices for economic justice. The partnership has only just begun. (See *Highlights of Walden's Labor Shareholder Partnerships, at right*) —S.Heim

For more information:

- *Working Capital: The Power of Labor's Pensions*, edited by Archong Fung, Tessa Hebb, and Joel Rogers. Cornell University Press: Ithaca, NY, 2001
- AFL-CIO Office of Investment: (202) 637-3900
- Heartland Labor Capital Network: www.heartlandnetwork.org

Highlights of Walden's Labor Shareholder Partnerships

Walden worked to sponsor the first shareholder resolution filed by a mutual fund, prompting **Angelica Corp.** to negotiate in good faith with its union. This was after a two-year struggle led by the Amalgamated Textile Workers Union (now known as UNITE) to get the company to bargain with its workers. (1986)

Service Employees International Union joined Walden, the primary sponsor of an equal employment opportunity (EEO) shareholder resolution with **Home Depot**. This proxy vote became the first ever EEO-related "Key Vote" by the AFL-CIO. (1999)

Walden helped workers at **Imerys'** Alabama plant win the right to a fair election in which the PACE International union prevailed. This was after a Walden representative spoke at Imerys' annual meeting in France and management pledged to not retaliate against union supporters. (2000)

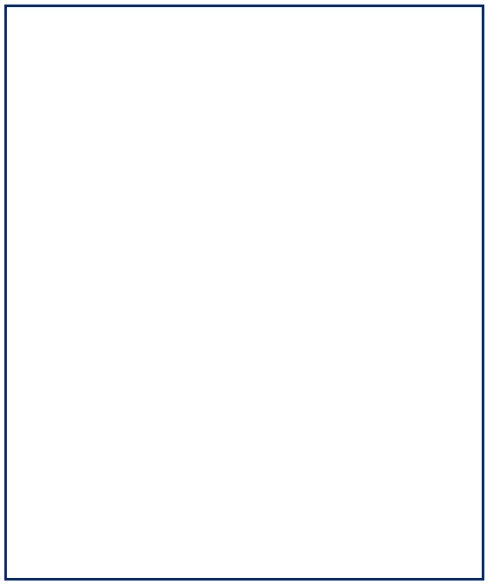
Workers at an Arizona plant of **Taiheiyo Cement Co.** of Japan won their first contract in almost four years. This was after Walden joined with the Just Transition Alliance, a grassroots labor and environmental justice coalition, to pressure management to bargain with the workers and address the local community's environmental concerns. (2002)

A Message of Appreciation to a Colleague

Outside on a plaza below the Bank of America building in San Francisco there is a large, kidney shaped abstract sculpture perhaps twenty-five feet across made out of what looks like black obsidian. It is universally referred to in the Bay Area as "the banker's heart."

Within the organization I have worked for the past two decades is another heart that is antipodal in every way to that one in San Francisco. Soft, warm, open, listening. A leader's heart, but not prescriptive. Always of the highest integrity, true, honest, professional, responsive, devoted, loyal, and positive. Able to get down and shovel tons of dreck if the going gets tough; expecting us all to do likewise, be able to get our hands dirty.

Hers is the heart much of the outside world experiences directly or indirectly when they interact with Walden and United States Trust Company. Day in and day out, beginning in 1977, this heart, Linda's heart, has been the soul of our organization for twenty-five years.



Linda Berkel

Today, she directs our client relations and community development investing efforts, and is a key member of Walden's leadership team.

Linda came here from a social work background. She is still a social worker. And this pump house gang, her "caseload," needs her. Our clients have time and time again said that Linda is a source of trust, competence, and administrative prowess. She takes responsibility for big tasks and does not let them lie. Organizations and individuals both have learned that she can simplify their lives and that she cares.

I think I can say that we, no more or less than human, are proud of her. We appreciate her, though *never* enough. Linda has helped make us the best of what we are. The twenty-five years have been a pleasure for us in large part because of Linda Berkel.

—S. Moody

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