

May 7, 2013

Ms. Elizabeth M. Murphy, Secretary Securities and Exchange Commission 100 F Street, Northeast
Washington D.C. 20549

By email: rule-comments@sec.gov

Re: File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of
Corporate Resources for Political Activities

Dear Ms. Murphy,

As the Advisory Committee on Socially Responsible Investing at Middlebury College, we are pleased that the SEC is formally considering a rule requiring disclosure of corporate political spending, and we urge its prompt adoption. In particular, we write in support of the rule prompted by petition 4-637 (“to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities”).¹

Petition 4-637 was submitted on August 3, 2011 by a committee of prominent law professors seeking to address the issue of corporate political spending transparency, about which many investors have increasingly become concerned in the past few years. The petition has since received a record number of comments, illustrating the extensive concern from investors, institutions, and citizens alike regarding political expenditures by corporate managers using corporate assets for political purposes without disclosure to shareholders. Investor interest in political spending disclosure has grown in recent years,² as the magnitude of corporate funds flowing to politicians has increased and with it the materiality of such expenditures to investment choice.

Disclosure of information on corporate political spending is critical for the operation of corporate accountability mechanisms, including those that the Supreme Court has relied upon in its analysis of corporate political speech.³ Without mandatory disclosure regulations imposed by the SEC it is not possible for shareholders to effectively monitor the use of corporate resources for political activities. Monitoring is critical to determine whether a corporation’s political speech advances its long-term interests or impedes those interests, and whether the magnitude of corporate funds flowing to political causes and politicians detracts materially from earnings, adversely affects share price, or constitutes corporate waste.

¹ Committee on Disclosure of Corporate Political Spending, *SEC Petition for Rulemaking 4-637* (Aug. 2011), <http://www.sec.gov/rules/petitions/2011/petn4-637.pdf>.

² Consortium of Investment Professionals, *Re: File No. 4-637, Petition to Require Public Companies to Disclose to Shareholders the Use of Corporate Resources for Political Activities* (Nov. 2011), <http://www.sec.gov/comments/4-637/4637-11.pdf>.

³ *Citizens United v. Federal Election Commission*, 130 S. Ct. 876 (2010), finding that “...prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters. Shareholders can determine whether their corporation’s political speech advances the corporation’s interests in making profits, and citizens can see whether elected officials are “in the pocket” of so-called moneyed interests.”

As SEC Commissioner Luis Aguilar recently recognized, “It is one of the SEC’s core functions to identify gaps in information that investors require, and then close that gap (sic) as quickly as possible.”⁴ From Middlebury’s perspective as an educational institution, it is clear that requiring disclosure of corporate political spending rests squarely within the responsibility of the SEC to achieve marketplace fairness and protection of investors.

U.S. colleges and universities collectively hold approximately \$400 billion in endowment investments; over a quarter of these are in publicly traded companies.⁵ Given this enormous financial stake in public corporations, those of us responsible for the stewardship of educational institutions have a correspondingly large interest in ensuring the effective operation of corporate accountability mechanisms. Of equal or even greater importance, we also have a profound interest in ensuring that corporate funds of companies in which we are invested are not used for political expenditures inimical to our chartered purposes. Without full disclosure, this goal is impossible to achieve.

Middlebury College is particularly interested in swift adoption of the rule because of our values as a school. Students at Middlebury are taught to be global citizens and to “engage the world”⁶. It is harder to have a voice in society when civic engagement has to compete with corporate money. As a community oriented school Middlebury understands that accountability is important for an open and fair political process. Additionally, Middlebury has officially recognized and pledged to address climate change,⁷ therefore it serves the interest of the College to know if companies in which it invests are financially supporting climate-denying science or anti-climate media and legislation⁸. Finally, transparent political campaign contributions help prevent distortion of the market, which may create a stronger economy.

As Middlebury College’s ACSRI, we unanimously urge the Commissioners to act swiftly in implementing the disclosure recommendations outlined in petition 4-637.

Sincerely,

Members of the Advisory Committee on Socially Responsible Investing:

Ben Chute, Economics ‘13.5

Nathan Arnosti, History and Geography ‘13

Craig Thompson, Mathematics ‘13.5

Jeannie Bartlett, Environmental Studies and Conservation Biology ‘15

Virginia Wiltshire-Gordon, ‘16

⁴ Commissioner Luis A. Aguilar, U.S. Securities and Exchange Commission, *Shining a Light on Expenditures of Shareholder Money*, Practising Law Institute’s SEC Speaks (Feb., 2012).

⁵ National Association of College and University Business Officers, *2011 Commonfund Study of Endowments Final Report* (Mar., 2012).

⁶ Middlebury mission statement, (Mar., 2006) <http://www.middlebury.edu/about/mission>

⁷ Middlebury’s Resolution for Carbon Neutrality, (May, 2007)
<http://www.middlebury.edu/sustainability/commitment/policies/neutrality/2007>

⁸ Checks and Balances Project. Fossil Fuel Front Groups on the Front Page. (Dec. 2012)
http://www.eenews.net/assets/2012/12/12/document_daily_01.pdf