



Keith Mestrich
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November 25, 2014

Mr. Brent J. Fields
Secretary
Securities & Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: File No. 4-637, Petition to require public companies to disclose
to shareholders the use of corporate resources for political activities

Dear Mr. Fields:

Amalgamated Bank's LongView Funds hereby urge the Commission to grant this petition and to propose and adopt rules requiring the disclosure to shareholders of how companies use corporate resources for political activities.

Founded in 1992, the LongView Funds are a family of collective investment trusts with approximately \$13 billion under management. The Funds are broadly diversified, and its investors are pension and related funds which, as our Funds' name implies, share an interest in long-term shareholder value. As diversified and long-term investors in the U.S. capital market, the Funds actively engage portfolio companies and promote practices and policies we believe will enhance long-term value and safeguard shareholders from downside risks to our investments.

Key elements of good corporate governance are transparency and disclosure with respect to corporate operations of interest to shareholders. In our view, markets work more efficiently and perform better when there is clear and accurate information about the companies in which we invest. The subject matter of this petition – shareholder money from the corporate treasury that is used in the political arena – plainly falls into that category.

The LongView Funds have long been interested in the topic of this rulemaking petition. During the 1990s, when Congress was debating the McCain-Feingold campaign finance reform bill, the Funds engaged a number of portfolio companies over the question of how these companies donated "soft money" from the corporate treasury to political parties. These engagements focused not simply on disclosure, but also on governance questions, such as "Who makes the decision to donate?", "Is the board of directors involved in or aware of this process?" and "Given the difficulty in seeing any return to the company from such donations, how does the company assess the benefit to shareholders?"

The importance of disclosure to shareholders is today magnified in light of the U.S. Supreme Court's 2010 *Citizens United* decision, which liberalized the ability of companies to spend money from the corporate treasury – shareholder money – in the political process. In reaching that decision the Court emphasized the shareholder interest in disclosure, which the Court said “permits citizens and shareholders to react to the speech of corporate entities in a proper way. This transparency enables the electorate to make informed decisions and give proper weight to different speakers and messages.” The Court re-emphasized the importance of disclosure in its 2014 *McCutcheon* decision.

Unfortunately, shareholders still lack the means to assess how a company views participation in the political process as a way to achieve long-term shareholder value. It is possible for companies to donate or pay millions of dollars to trade associations or non-profit “501(c)(4)” organizations, which engage in advocacy that can affect the outcome of elections, yet the amount and source of these donations are not made public. So although some types of corporate political spending are subject to various public disclosure requirements, such as lobbying activities and state and local contributions to candidates, the lack of mandatory disclosure by other entities through which corporations may spend corporate assets for political purposes, such as trade associations, and “501(c)(4)” organizations,” render these disclosures of little use. Even companies that voluntarily disclose *some* political spending routinely do not include spending of “dark money” through vehicles such as trade associations and 501(c)(4) organizations.

In our view, partial transparency of political spending is akin to “partial pregnancy.” A corporation simply cannot be “transparent” when key avenues of political spending are not disclosed. Moreover, the undisclosed routes for political spending create an incentive for large volumes of corporate assets to pass through these streams unchecked. In other words, even if a company elects to voluntarily disclose nine out of ten possible types of organizations to which it expends corporate assets on political activities, it could very well be the case that 100% of the assets are being channeled through the one undisclosed route. Accordingly, incomplete disclosure requirements create the risk of a broken levee, wherein the avenues for non-disclosed spending become the breach in the levee through which the significant volume of corporate asset spending on politics floods.

Hence the need for this rulemaking. Given the vagaries of the political process and the uncertainty that political spending will produce any return for shareholders, we believe that companies should be fully transparent and accountable by disclosing how they spend shareholder money in this area.

In addition, and as the record in this case discloses, there are studies suggesting that companies that are heavily involved in the political process may have a lower return for shareholders.¹

This last point underscores an important reason why there should be a uniform rule across the board. Full and consistent disclosure would permit investors to do a comparison as to how individual companies in the same sector view the importance of political spending.

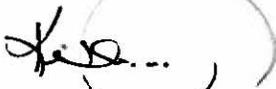
To be sure, it may not be surprising to see more political spending in some industries than others, for example, industries that are heavily regulated. Disclosure would permit a comparison and allow shareholders to ask informed questions such as "Why are you spending a lot more on the political process than your competitors?"

Why does this matter? Disproportionate spending on political activities compared to one's industry peers may be a warning sign to investors. Does the company believe that it cannot compete effectively and thus needs to influence governmental bodies to tilt the playing field in its favor? Is a given company seeking preferential treatment or lax regulation in order to take greater risks that may produce short-term gains at the expense of long-term returns?

These are questions that cannot be answered from currently available data. Perhaps the best analogy here would be to corporate spending on research and development. There is value to shareholders in some sectors to compare the levels of R&D spending among competitors. If a company is spending disproportionately less on R&D than its competitors, that may produce short-term benefits, but indicate a longer-term problem several years down the road.

The LongView Funds thus join the numerous other investors who are calling upon the Commission to act favorably on this petition and to adopt rules providing shareholders with full disclosure about corporate political spending.

Sincerely,



Keith Mestrich
President and CEO

ⁱ See for example, John C. Coates IV. "Corporate Politics, Governance, and Value Before and After *Citizens United*." *Journal of Empirical Legal Studies* December 2012. 9 (4): 657-696; and Rajesh K. Aggarwal, Felix Meschke and Tracy Wang. *Corporate Political Contributions: Investment or Agency?* University of Minnesota Carlson School of Management. April 2012.