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Mutual Funds Back Corporate Political Disclosure in 2010 Proxy Season

Opposition Continues to Decline as Overall Support Remains Strong

Press Contact:

Bruce F. Freed,
Center for Political Accountability
301-233-3621
bffreed@politicalaccountability.net

Washington, D.C. -- Continuing a strong trend, mainstream mutual funds registered this year the lowest resistance ever to corporate political disclosure resolutions, the Center for Political Accountability reported today.

As the CPA report pointed out, how mutual funds, especially those that are very large, cast their proxies is critical because of they are by far the largest institutional holders of shares in U.S. public companies. With holdings of nearly 25 percent of the shares in U.S. publicly traded companies, their voting decisions can significantly influence company policies.

For the first time, only a minority of these funds voted against shareholder resolutions calling for transparency and accountability in company political spending. Overall, a majority of mainstream mutual funds, or 53 percent, either voted 'For' or abstained on the Center for Political Accountability's model political disclosure resolution.

"The scales have tipped," CPA President Bruce F. Freed said in announcing an analysis of 2010 proxy season votes. "More barriers to corporate transparency and accountability are falling. Support is accelerating."

In the case of CPA's model political disclosure, the move of major mutual funds to support or abstain from oppose was an important factor in tripling of the average vote for the resolution to 30 percent in 2010 from 9 percent in 2004, the first year it was filed.

Freed called 2010 a "watershed year." Mutual fund opposition was nearly unanimous in 2004, the first year the political disclosure resolutions were filed; by 2010, this opposition had steadily receded by half. Mutual funds are the largest institutional holders of shares in U.S. publicly held companies.

"We've made enormous progress," Freed said. "This important shift reflects growing recognition by mutual funds that political transparency and accountability by companies are in the interest of companies and shareholders."

The milestone shift this year was driven by increased support from major funds, including Morgan Stanley and Wells Fargo, and by a 10 percent increase in mutual funds voting to abstain. Overall, mutual funds in 25 different families voted on the CPA model disclosure resolution at 28 companies.

When mutual funds shift their voting from "Against" to abstaining from voting, it effectively strengthens votes in favor of disclosure, based on U.S. Securities and Exchange Commission standard vote calculations. Under SEC rules, when the outcome of a vote on a shareholder resolution is tallied, only 'For' and 'Against' votes are compared to total votes cast.

CPA's report on the 2010 proxy season includes these highlights:

- Two major mutual fund families, **Morgan Stanley** and **Wells Fargo,** threw even greater weight behind their support than in the past. Both funds voted in support of the CPA resolution at record levels, with Wells

Fargo voting 'For' 95 percent of the time and Morgan Stanley voting 'For' 98 percent of the time. Their nearly unanimous support votes capped a remarkable shift, as both funds had staunchly opposed the resolution prior to 2008.

- For the first time, four of 30 funds in the **Bank of New York Mellon** family voted in support of the CPA resolution. Since 2004, this mutual fund family had consistently voted 'No.'

- Wall Street titan **Goldman Sachs** continued to show strong support for the disclosure resolution.

- Two industry giants, **Vanguard and Fidelity**, remained on the sidelines and abstained from voting on CPA model resolutions in 2010.

- **Van Kampen Investments** sharply increased its 'For' vote by nearly 20 percent, from 77 percent in 2009 to 96 percent this year.

- Four mainstream funds that added more strength, by an average of 4.5 percent, to their support for political disclosure were **Legg Mason, Oppenheimer, Schroder and Franklin Templeton.**

- A shift by **TIAA-CREF** from support to abstention had a major impact on the overall vote, causing the aggregate 'For' vote to decline from 25 percent in 2009 to 21 percent this year.

"Shareholders see corporate political spending as risky and want political disclosure and accountability to protect companies and their investments," Freed said. "We urge other fund families to follow the example of those that are registering record-breaking support for disclosure."

The report is available on the Center's website: www.politicalaccountability.net. It was based on data provided by Fund Votes, an independent project started in 2004 that tracks mutual fund proxy voting in the United States and Canada.

About the Center for Political Accountability

In 2003, CPA launched its initiative to bring transparency and accountability to corporate political spending. Its work with partner groups has successfully moved 76 large public companies, including half of the companies in the trend-setting S&P 100 Index, to disclosure and board oversight policies for political spending.

www.politicalaccountability.net

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