cpa report 2005

ACKNOWLEDGEMENTS

The primary authors of *The Green Canary: Alerting Shareholders and Protecting Their Investments* are Center for Political Accountability Co-Directors Bruce F. Freed and John C. Richardson with Senior Research Analysts Jamie Carroll and Daniel I. McQueen. CPA interns Ruth Porter and Liraz Kolnik provided research assistance. The Center thanks John C. Coffee Jr., Lynn Turner, Beth Young and David Umansky for their help with the report.

ABOUT THE CENTER FOR POLITICAL ACCOUNTABILITY

A public interest advocacy group, the Center for Political Accountability is spearheading a national effort to bring transparency and accountability to corporate political giving. Since October 2003, it has been working with institutional investors and other groups to persuade companies to disclose and explain the business purpose of their soft money contributions and identify the corporate officers involved in the decisions. In 2004 proxy season, a CPA model resolution received substantial support from shareholders of 23 public companies, including Citigroup, Verizon, Textron, BellSouth, Wachovia, ChevronTexaco, Morgan Stanley, Harrah's Entertainment and IBM.[1]

1 See Center for Political Accountability website, www.politicalaccountability.net, for results of shareholder votes.

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PUBLICATION DESIGN:
FISHMAN DESIGN/WASHINGTON, DC

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The Green Canary and the Shareholder

The Center for Political Accountability sees corporate political contributions as playing the same role for shareholders and financial analysts that canaries played for miners. The birds warned of potentially fatal concentrations of gas in the mine shafts. In the case of shareholders, disclosing political contributions can alert them to possible problems in management performance or behavior and problems with a company's business strategy that would otherwise be missed. A close review of a company's contributions also can raise questions about whether the contributions are aligned with the company's real interests or whether they are being made for unrelated purposes that could have negative consequences for the company.

Executive Summary

The Green Canary is a timely call for transparency and accountability in corporate political giving. As canaries once served to warn coal miners of danger, so too, disclosure of corporate political contributions can function as an effective means of alerting shareholders and financial analysts to possible management, reputational and other problems that may negatively affect shareholder value.

Despite legislation to reform campaign financing, corporations still are not required to disclose their soft money contributions. The authors examine the risks posed to shareholders by the absence of disclosure, explore the significant implications of loose internal controls over corporate soft money giving in light of the Sarbanes-Oxley Act, and present two methods of evaluating corporate political activity to reveal possible management problems that could damage shareholder investment.

The Green Canary is a timely call for transparency and accountability in corporate political giving.

The paper first offers five case studies where disclosure of a company's donations and an explanation of the underlying business rationale could have served as a check on executive misbehavior. Enron, Global Crossing, WorldCom, Qwest and Westar Energy each made corporate contributions a key part of their business strategies, enabling them to avoid oversight, engage in alleged illegal activities and gain uncharacteristic advantage in the marketplace—the combination of which led to their ignominious downfall at the expense of their shareholders.

The authors then further illustrate how disclosure can protect a corporate reputation and, conversely, how inattention to the final destination of soft money can create serious risks to a company. Examples highlight the problems that can arise when there is a discrepancy between a company's policies and practices and the policies of a candidate or group receiving the company's money.

Lastly, two significant measures of company policies and practices are presented to evaluate potential risks of a corporation's giving. For shareholders and analysts, the CPA Rating on political transparency and accountability and the Comparative Giving Assessment (CGA) are equivalent to canaries in a coal mine.

The CPA Rating grades companies on their political accountability and contribution transparency. The score is based on several elements reviewed on company websites, including whether a company discloses its contribution policy and its contributions, provides the criteria for approving contributions, requires prior approval of contributions, and provides for executive-level or board oversight of giving. The CGA compares a company's contributions to its industry peers and identifies those companies that diverge from the industry mean.

Employing these two fundamental measures, the authors analyze soft money contributions made by 120 large cap companies in 11 major industries during the 2002 election cycle. Among the startling results, only one company—Morgan Stanley—has adopted a policy that provides for disclosure of its soft money contributions and board oversight of the company's political donations and policies. Another company—Pfizer—makes public its soft money donations. However, it does not provide for board review of company political giving. Although they do not disclose their contributions, two companies—Time Warner and ExxonMobil—said their boards exercise oversight over the company's political giving. In addition, two other companies—BP and Southern Co.—appeared to contradict political contribution policies posted on the company websites. Similarly, of the 120 companies reviewed, 40 percent made contributions substantially greater than their industry peers. In sum, shareholders and analysts can be made aware of potential company problems and questionable management behavior by scrutinizing a company's political contributions.

Introduction

The Risks of Non-disclosure

Because companies are not required to practice transparency and accountability in their political giving, shareholders know little about the more than $100 million contributed by over 150 public corporations at the federal level or the tens of millions of dollars donated to state campaigns in the last election cycle. Directors are also largely uninformed since few corporate boards, if any, review their company's contributions.

This remains a serious problem today despite passage of the Bi-Partisan Campaign Reform Act (BCRA) of 2002. BCRA does not require corporations to disclose their soft money gifts. Indeed, the absence of transparency in corporate political giving perpetuates a major deficiency in corporate governance that can have a material effect on a company. Secrecy gives management substantial discretion in how it uses corporate funds for political activity and keeps shareholders and company directors in the dark about management decisions. Moreover, it can expose companies to significant legal, reputational and financial risks.

To understand the ramifications for shareholders, the Center for Political Accountability examines the risks that the absence of disclosure poses to shareholder value. We look at the implications for companies and shareholders of the loose to non-existent internal controls over soft money contributions. We also consider the importance of expanding disclosure and accountability as a deterrent to management making questionable donations and as a way of helping shareholders better assess the performance of corporate management and a company's business strategy.

The Sarbanes-Oxley Act provides a way to address the problem

Today, it is difficult to develop a comprehensive picture of corporate political giving because companies' contributions can only be tracked indirectly due to the absence of reporting requirements for soft money contributors. Another problem is that the various campaign finance watchdog groups collect data on soft money gifts only in areas of their specific interest. The result is that shareholders are largely uninformed about how management uses corporate funds for political purposes.

Many executives justify corporate soft money contributions as essential to protecting their companies' interests and often point to regulatory, policy and legislative changes that were achieved with the help of corporate political money. However, because of the lack of transparency and accountability, shareholders, financial analysts and potential investors cannot evaluate the perceived returns on any one company's political "investment" and the financial, legal and reputational liabilities that may be associated with it. They find it difficult to judge when a company becomes overly dependent on political money and influence for its success, a warning signal that serious problems may exist. The result is that they usually discover only after the fact that a company's questionable political activities have adversely affected shareholder value. The "canary effect" of disclosure could mitigate that risk.

The Sarbanes-Oxley Act (SOX) of 2002 provides a way to address the problem. In general, internal controls over political contributions would not be within the scope of work performed under SOX Section 404, as those controls do not relate directly to financial reporting. However, the staff of the SEC's chief accountant office and corporate finance division have stated that "…management must appropriately consider the registrant's compliance with other laws, rules and regulations. Such consideration should include assessing whether the registrant (1) adequately monitors such compliance, and (2) has appropriate disclosure controls and procedures to ensure that required disclosure of legal or regulatory matters is provided."[2]

2 http://www.sec.gov/info/accountants/controlfaq1004.htm

The fact that political giving is highly regulated with substantial civil and criminal penalties... argues for increased controls over political money.

The fact that political giving is highly regulated with substantial civil and criminal penalties attached to violations argues for increased company controls over political money. To head off potential problems, companies need to assess whether such controls are a necessary component for compliance with SOX.

Transparency and accountability are essential to assure the effectiveness of such controls.

This report has three purposes. The first is to focus attention on the importance of corporate political transparency and accountability to safeguarding shareholders. The second is to underscore the importance of internal controls to ensuring management accountability in corporate political giving. And the third purpose is to lay out new ways of evaluating company political activity to alert shareholders to possible problems and to help them protect their investments.

Contributions & Corporate Mismanagement

Corporate political contributions can cut two ways. Arguably, they can boost a company's bottom line by helping achieve favorable political and policy decisions. Conversely, they can hurt shareholder value by facilitating corporate mismanagement or misbehavior.

Indeed, company political giving can provide insights into a company's culture, ethics and business strategy, three factors that can have a significant impact on shareholder value. The experiences of Enron, Global Crossing, WorldCom, Qwest and Westar Energy—five Fortune 500 companies that collapsed in 2001 and 2002—illustrate why investors need to pay close attention to company use of soft money. The companies made political contributions a key part of their business strategies.

For four of the companies, contributions helped them avoid oversight, pull regulatory end runs, engage in questionable activities and reinforce a go-go image. For the fifth company, contributions were used, unsuccessfully it turned out, to arrange a legislative fix that the company needed to manage its heavy debt. In each of the cases, contributions were part of a pattern of risky and sometimes illegal behavior that ultimately sank the companies and cost shareholders hundreds of billions of dollars.

The relationship between questionable political giving and heightened business risk is deep-rooted. *PoliticalMoneyLine*, a tracking service for money in politics, found that illegal corporate political contributions often have been coupled with "significant issues [of] tax and accounting problems, fraud, bribery, conspiracy, and other illegal actions."[3]

3 Political Money Line, www.politicalmoneyline.com

It reported that companies paid nearly $300 million in fines and settlements for illegal contributions and political activity over the past three decades.

That amount may be only a fraction of the total cost. "In most cases there is no estimate of the corporate board, executive or employee time and expenses involved, or legal fees incurred," *PoliticalMoneyLine* continued. "There also is no estimate of the impact on public relations or loss of confidence by investors." Recent legislative changes have also substantially enhanced the criminal and civil penalties for campaign finance violations.

In looking at corporate political giving and corporate troubles, it is important to understand that the connection can be indirect. Contributions are like smoke. They can indicate to shareholders the need to look further to see whether there is fire. In the case of the five companies, the smoke was the heavy use of political money to carry out a company's business strategy, company contributions that significantly exceeded those made by its peers, changes in a company's donation pattern, and contributions made without apparent reason. The lesson for shareholders and financial analysts is that corporate political contribution transparency is essential if they are to be able to spot possible problems that could threaten a company and shareholder value.

Enron

Since its creation in 1985, Enron actively used the political process to help it grow. The company started off in the natural gas pipeline business but in a few years evolved into one of the largest energy traders in the world. Politically influenced decisions were key to its transformation. The Center for Public Integrity, a public interest investigative organization, cited 17 federal legislative and regulatory actions that Enron successfully lobbied for that were important to its growth and contributed to its subsequent collapse.[4] These included removing price controls on natural gas, allowing certain types of debt to be kept off book,

4 Center for Public Integrity, "A Most Favored Corporation," http://www.publicintegrity.org/report.aspx?aid=102&sid=200

and blocking regulation of trading in energy derivatives. In the case of the derivatives, the stifling of regulation squashed efforts to require more transparency and aided and abetted the company's misconduct. Additionally, Enron helped bring about the deregulation of the electric utility industry in 1998. The deregulation legislation was considered to be so important to the company that it was dubbed the "Enron Bill" on Capitol Hill.[5]

In all of these areas, political contributions played a major role. Enron gave $2,287,342 in soft money to Democratic and Republican party committees and independent political committees associated with powerful representatives and senators in the three election cycles that preceded its abrupt implosion in December 2001.[6] These donations included over $500,000 in the 1998 cycle, more than $1 million in the 2000 cycle and about $500,000 in 2001. During that period, Enron experienced Nova-like growth.[7]

Using legislation, regulatory and policy actions it successfully lobbied for, Enron was briefly one of the most successful U.S. companies. However, the company's stature depended on manipulation and misconduct that was facilitated by the weakened regulations and decreased transparency achieved through its political giving. As explained by John Dean, a former Counsel to President Richard Nixon, "Enron's political contributions may have helped slow detection of its troubles, and helped the company fly under the radar for as long as was possible given what now appear to be some egregious accounting and business practices."[8]

Had its political contributions served as a red flag to investors and analysts, the company's misconduct might not have escalated to such a stunning and costly failure. When mismanagement, market manipulation and accounting fraud pushed Enron into bankruptcy, the overall cost to investors was estimated at $31.3 billion.[9]

Although there may be no direct line between its political contributions and its downfall, the fact remains that the company used the political process to avoid transparency

5 Center for Public Integrity, "A Most Favored Corporation," http://www.publicintegrity.org/report.aspx?aid=102&sid=300

6 Center for Responsive Politics, Open Secrets Database, http://www.opensecrets.org/softmoney/softcomp1.asp?txtName=enron

7 See http://www.newsbatch.com/corp-enronstock.html for a chart tracking Enron's stock price between March 1994 and November 2001. It is interesting to track the company's soft money contributions by election cycle with the rise and fall of its stock price in this period.

8 "Some Questions About Enron's Campaign Contributions: Did Enron Successfully Buy Influence With The Money It Spent?" by John W. Dean, FindLaw's Legal Commentary, January, 18, 2002. Dean further states: "Enron insiders did quite nicely on their investment in Washington officials, thank you. Washington officials gave them the ability to trade futures contracts generating billions of dollars in revenues, unregulated. No prying eyes looking over their shoulders."

9 Democratic Policy Committee, "The Cost of Corporate Irresponsibility," http://democrats.senate.gov/~dpc/pubs/107-2-221.html

and gain exceptional freedom for the way it operated. Influence was central to what turned out to be the Enron shell game, and heavy doses of political money were crucial to keeping it going.

Looking back, the amount of money Enron contributed and the pattern of contributions to recipients should have prompted financial analysts and others to look more closely and skeptically at the company's operations and management's claims.[10] Following the Enron debacle, investors and analysts must acknowledge that political contributions can serve as a warning signal for corporate misconduct.

10 See http://www.washingtonpost.com/wp-dyn/business/specials/energy/enron/ for list of Washington Post articles on Enron's activities and the company's collapse.

The Three Telecoms

The common threads that run through the Global Crossing, WorldCom and Qwest debacles are alleged fraud and mismanagement assisted by corporate political money. Donations by the companies, totaling close to $6 million over six years,[11] contributed directly and indirectly to the collapses that wiped out $250 billion in market capitalization. As with Enron, the scale of the donations should have been a tip-off to shareholders, financial analysts and others to look more critically at the companies' business strategies and management performance. The excessive reliance that the companies appeared to place on politically-funded relationships to help them compete, give them a marketplace advantage, and protect them from regulators should have been of particular concern to institutional and individual shareholders and analysts.

11 See http://www.opensecrets.org and www.publicintegrity.org/527

Global Crossing

Global Crossing was established in 1997 to build a world-girdling undersea fiber optic network that would connect global carriers such as Deutsche Telekom and AT&T. To do that, Global Crossing mounted a major effort to get help from regulators and key legislators in the telecommunications arena. According to BusinessWeek, some of the lawmakers who received substantial contributions from company-related individuals and political action committees

The common threads that run through the Global Crossing, WorldCom and Qwest debacles are alleged

pressed the Federal Communications Commission to advance the development of undersea broadband cables.[12]

12 BusinessWeek, February 11, 2002

Soft money was a key part of the effort. The company made political donations totaling $1,464,478 for the 1998, 2000 and 2002 election cycles to Democratic and Republican party committees and to independent political committees, also known as 527s. The money flow started off modestly with $25,000 in 1998. However, it became a river of more than $850,000 in the 2000 cycle and $550,000 in 2001.[13] As BusinessWeek observed, the company "raised eyebrows because its largesse was so out of proportion to its needs—mostly routine regulatory approvals rather than high-profile legislation."[14]

13 www.opensecrets.org, www.publicintegrity.org/527

14 BusinessWeek, February 11, 2002

While the money gushed, Global Crossing's stock rose meteorically, propelled by unrealistic predictions about the company's revenues and the demand for broadband services. The company fed these predictions, according to several accounts, by allegedly inflating its revenues through swapping capacity with other carriers. In the end, its collapse cost shareholders about $24.8 billion in market capitalization.

When a company rises to the ranks of the five highest political donors in its industry within four years of its founding, that company's business model must be called into question.[15] Particularly in the aftermath of debt and alleged accounting fraud, the amount of Global Crossing's political contributions raises concern. Global Crossing refused to discuss the objectives behind its political giving, according to The San Francisco Chronicle. A spokeswoman for the company stated only that "our senior executives have a desire to be good corporate citizens. That's why we participate in the political process."[16]

15 BusinessWeek, February 11, 2002. Global even topped Enron's $2.4 million in such donations for 2000. "They came out of nowhere and papered the town with money" says Larry Makinson, executive director of Center for Responsive Politics.

16 "Enron Fiasco Aided Reform Supporters," by David Lazarus, The San Francisco Chronicle, February 17, 2002.

WorldCom

WorldCom rose quickly from a small Mississippi-based long distance telephone company to number 42 on the Fortune 500 list. Through a series of acquisitions, it became a powerhouse. But it was its merger in 1998 with MCI Communications, a company three times its size, which catapulted it into the major leagues. With that move, WorldCom became a top provider of Internet access and telephone services to business.

Political money was central to the company's growth. It helped WorldCom deal with its business problems. But it was essential for shoring up the lucrative Internet market and blocking the Baby Bells from poaching on its long distance turf.[17]

17 See "Firm may be in for a grilling on Capitol Hill," Baltimore Sun, July 1, 2002, for a discussion of WorldCom's use of political contributions in its battle with the Baby Bells.

Between 1998 and its bankruptcy in July 2002, WorldCom contributed nearly $2.5 million in soft money to Democratic and Republican party committees and independent political committees associated with legislators whose help it needed. The company gave $1,140,115 in the 1998 election cycle when it merged with MCI, $747,618 in the 2000 cycle, and $624,192 in 2001 and the first half of 2002.[18] WorldCom remained politically active until the end, donating $115,000 to two party committees shortly before it disclosed that it was under federal investigation.

18 www.opensecrets.org and Center for Public Integrity, www.publicintegrity.org/527

See http://www.newsbatch.com/corp.worldcomstock.html for a chart tracking WorldCom's company's stock price between 1994 and 2002 and a donor profile on WorldCom in www.opensecrets.org that includes a table displaying the company's soft money contributions between 1990 and 2004. Looked at together, they show a telling correlation between the company's stock price and its soft money donations.

Although the company's political giving cannot be tied directly to the accounting fraud that caused its collapse, the money was critical to reinforcing the image of a go-go company and a heavyweight player. Richard C. Breeden, a court-appointed monitor, writes: "While it posed as a high growth company, WorldCom was highly levered and suffered from high cost levels that left it much weaker than investors realized."[19] The company's political contributions played a role in this high-growth posturing, belying the mountains of debt behind the large donations.

19 Richard C. Breeden, "Restoring Trust," August 2003. Report to Federal District Judge Jed S. Rakoff on Corporate Governance For the Future of MCI, Inc. The report was prepared by Breeden, a court-appointed monitor, on WorldCom's failure and needed corporate governance reforms.

As with the other fallen telecoms, the company's political giving created a climate in which corporate management was unquestioned. Had the considerable donations instead triggered the attention of shareholders and analysts, such warning signs could have tempered the loss to investors. WorldCom's announcement that it had uncovered $3.8 billion in accounting irregularities, including booking expenses as capital expenditures, set off the chain reaction that cost shareholders an estimated $200 billion in market capitalization.[20]

20 Richard C. Breeden, "Restoring Trust," August 2003. Report to Federal District Judge Jed S. Rakoff on Corporate Governance For the Future of MCI, Inc. The report was prepared by Breeden, a court-appointed monitor, on WorldCom's failure and needed corporate governance reforms.

Qwest

Qwest was unique as both an old-line company and a new player in the telecom market. The new Qwest was created in 2000 when it acquired USWest, a former Baby Bell. The company sought mega-growth by entering the local phone business and by betting on broadband. It built fiber optic networks along railroad rights-of-way. It also joined with the Baby Bells to push for congressional legislation to give it and the other Bells much greater control over access to the Internet.

However, the company soon encountered problems. Overbuilding led to a serious problem of overcapacity. In addition, investigators alleged that Qwest had inflated its revenues through capacity swaps and equipment sales. These troubles prompted congressional committees to hold hearings into the company's problems.[21]

As with the other telecoms, Qwest relied on large contributions to create a regulatory and political climate that would help it achieve its business objectives and deal with its business problems. In the 2000 and 2002 election cycles, it contributed $1,651,909 to Democratic and Republican party committees and 527 committees associated with influential legislative leaders. In addition, it gave $200,000 in corporate money to 527 committees in 2003 and 2004.[22]

Qwest's significant political donations in the 2002 election cycle came at a time when the telecommunications industry was struggling. According to The Denver Post, the company cut 16,000 jobs over 2001 and 2002. Qwest's heavy political giving during the industry downturn and the company's numerous layoffs prompted Common Cause spokesman Pete Maysmith to ask, "If this is a good use of their money, what are they buying?"[23]

Large amounts of political money made the company a force but, in the end, could not sustain what turned out to be a flawed business model. Qwest's share price dropped 95.7 percent between January 2000 and July 2002, and its market capitalization dropped $26.9 billion during the same period.[24]

21 "Qwest Engaged in Fraud, SEC Says," Wall Street Journal, October 22, 2004; "Ex-Qwest CFO to Testify in Trial," The Denver Post, March10, 2004; "What Did Joe Know?" Fortune, May 12, 2003;" "Anschutz Contradicts Nacchio in Qwest Probe," The Denver Post, October 26, 2002 See www.opensecrets.org and www.politicalintegrity.org/527 Democratic Policy Committee, "The Cost of Corporate Irresponsibility," http://democrats.senate.gov/~dpc/pubs/107-2-221.html

22 See http://www.opensecrets.org/ www.opensecrets.org and www.politicalintegrity.org/527

23 "Telecoms, donations evaluated," by Steven K. Paulson, The Denver Post, October 25, 2002.

24 Democratic Policy Committee," The Cost of Corporate Irresponsibility," http://democrats.senate.gov/~dpc/pubs/107-2 221.html

Westar Energy's political contributions... fall into the same pattern of being used to help sustain an untenable business strategy

Westar Energy

Westar Energy's political contributions pale next to those of Enron and the telecoms. But they fall into the same pattern of being used to help sustain an untenable business strategy.

In 2002, Westar found itself in financial trouble and turned to political contributions to help extricate it from those problems. A public utility headquartered in Topeka, Kansas, the company was headed by David Wittig, an executive who wanted to grow the business by moving it into unrelated areas. A key element of his strategy was the purchase of Protection One, a security system company. The strategy did not work out as planned and Wittig's mismanagement

Share price source:
http://finance.yahoo.com

Westar timeline source:
http://www.citizen.org/documents/westartimeline.pdf

cost Westar at least $2.5 billion in shareholder value between 1998 and 2002, the period of his tenure as CEO.[25]

The Protection One acquisition and other missteps also saddled Westar with $3 billion in debt. Wittig attempted to deal with the problem by splitting the company into two and shifting the debt onto Westar's utility unit and its customers. Political giving was central to carrying out his plan.

Westar coordinated a series of contributions by the company and its top executives in the spring of 2002 to influential members of Congress and their allies. These donations were timed to help slip a provision into the energy bill, then in the late stages of congressional consideration, to exempt the company from the Investment Company Act of 1940 and the Public Utility Holding Company Act of 1935. The move was critical to allowing the reconfiguration of Westar. Wittig and Douglas Lake, a company vice president, were set to receive $27 million in bonuses if the change went through.[26]

The scheme unraveled—and the legislative effort collapsed—in the fall of 2002 when Westar disclosed that it was under federal investigation for fraud and executive misuse of its resources. A Westar internal investigation released in May 2003 revealed the purpose of the contributions and how they were orchestrated.

The internal investigation's salient points are as follows: To gain the exemption, the company needed to find a way around the U.S. Securities and Exchange Commission and the Kansas Corporation Commission, both of which opposed it. Company memos disclosed that Westar executives believed that contributions would grease the way for legislative relief. They also revealed that Wittig approved a plan for the company and its executives to donate $56,500 to "get a seat at the table" in the conference committee writing the energy bill.[27]

Most of the contributions were made between May and July 2002. As discussed in the memos, 13 executives and three company lobbyists gave a total of $24,050 to six representatives, including a House leader and influential

25 Lawrence Journal World
http://ljworld.com/section/westar/story/126579
The Associated Press Westar announces $11.06 per share loss for 2002 Saturday, March 29, 2003

26 Lawrence Journal World
http://ljworld.com/section/westar/story/154143
Wittig-Westar timeline Friday, December 5, 2003

27 Lawrence Journal World
http://ljworld.com/section/westar/story/154143
Wittig-Westar timeline Friday, December 5, 2003

players on key committees, and a congressional candidate. In addition, Westar donated $25,000 to a controversial 527 committee associated with a powerful member of Congress to whom it also contributed. That contribution was out of character for Westar.[28] According to a campaign watchdog group, it was the only one the company made to a 527 committee.[29] The other contributions were made to individual members and candidates.

28 Lawrence Journal World
http://ljworld.com/section/westar/story/126579
The Associated Press Westar announces $11.06 per share loss for 2002 Saturday, March 29, 2003

29 Lawrence Journal World
http://ljworld.com/section/westar/story/154143
Wittig-Westar timeline Friday, December 5, 2003

The costs to shareholders ended up being far greater than the $25,000 that the company contributed to the controversial 527 committee. On March 28, 2003, Westar announced that because of changes in its accounting that were related to the federal fraud charges, it had posted a $793.4 million loss in 2002, the period when the political contributions were made.[30] In addition, after Wittig was indicted for fraud, Westar shareholders sued the company for $100 million, "charging the company and its top executives knowingly issued false and misleading statements about the company's finances."[31]

30 Lawrence Journal World
http://ljworld.com/section/westar/story/154143
Wittig-Westar timeline Friday, December 5, 2003

31 Lawrence Journal World
http://ljworld.com/section/westar/story/154143
Wittig-Westar timeline Friday, December 5, 2003

As shown by the five cases discussed above, disclosure of companies' donations and an explanation of their business rationale most likely would have prompted questions about management weakness and judgment and the companies' business strategies and underlying soundness. Requiring adequate documentation of the purpose of contributions and how they were decided would have acted as a check on executive misbehavior.

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3 III

Contributions & Corporate Reputations

To Federal Reserve Chairman Alan Greenspan, business should have learned from Enron's abrupt collapse that, "trust and can vanish overnight." Indeed, Harlan Teller, president of Hill and Knowlton's worldwide corporate practice, called corporate reputation "a very substantial yet tenuous asset. Any controversy or misstep can have a profound effect, particularly with companies that are in the public eye."[32]

A survey by Harris Interactive and the Reputation Institute released in early 2004 demonstrated how difficult it is to repair damaged reputations. It found that the public remained angry with many of the 60 big companies included in its most recent corporate reputation survey because of the corporate scandals of 2001-02. In particular, three-quarters of the respondents judged the image of large corporations to be "not good" or "terrible." A key factor, according to the Wall Street Journal, was "the lingering taint of all the corporate malfeasance…"[33]

Today, companies are more sensitive to reputation threats—up to a point. They are skilled at dealing with product and finance related problems. However, difficulties stemming from political contributions remain a blind spot. The reaction of Westar, the scandal-scarred company previously discussed, to its indictment in September 2004 for contributing to a controversial group in apparent violation of a Texas law, highlighted how large the spot is. A spokesman for the company was quoted as saying there was, "no basis for Westar to be held accountable for how others spent the money once we gave it."[34]

32 "Can CEOs Defend Corporate America's Image?" Chief Executive, July 2002. A definition of corporate reputation that covers several critical areas is presented in Charles Fombrun and Cees Van Riel, "The Reputational Landscape," Corporate Reputation Review, Vol. 1, Nos. 1 and 2, p. 10

33 "Corporate Scandals Hit Home: Reputations of Big Companies Tumble in Consumer Survey," Wall Street Journal, February 19, 2004; See "In Business Ranking, Some Icons Lose Luster," Wall Street Journal, November 15, 2004, which is an update of the corporate reputation survey.

34 "DeLay Associates Indicted in Texas," Wall Street Journal, September 22, 2004

That attitude can be self-defeating. With the Harris Interactive-Reputation Institute survey showing how the public holds companies accountable for their conduct, executive inattention to the final destination of corporate soft money contributions presents serious risks to companies.

Particularly troublesome can be conflicts between a company's policies and practices and the policies of groups or candidates that directly or indirectly receive the company's money. Not only are donations that reach controversial recipients possible threats to a company's reputation, they also can adversely affect a company's relationship with stakeholders, its competitive position and the level of risk it manages. The only way to mitigate the problem and the accompanying risk is to require companies to disclose and explain the business rationale of their contributions.

Case Studies

Corporate contributions made to two controversial independent political committees, also known as 527s, show the risks companies face by failing to conduct due diligence into the final destination of their money and to recognize the reputational implications of their donations. This is a serious problem when companies contribute to conduits, the term used by the Center for 527s that donate to other groups or candidates. In a sense, a conduit group acts as a "cut out" where the initial donor is distanced from the ultimate recipient.

One conduit recipient was Americans for a Republican Majority (ARM). The group raised $2.3 million in the 2002 election cycle, much of it from corporations. ARM in turn donated several hundred thousand dollars to organizations that espoused positions at odds with key policies and practices of some of the corporate contributors.[35] This was the case with four of its major contributors: SBC Communications, BellSouth, Altria Group and Union Pacific.[36]

35 Center for Public Integrity www.publicintegrity.org/527

36 See Internal Revenue Service disclosure reports for Americans for a Republican Majority for the 2002 election cycle. The four companies as well as many others are listed as contributors. www.irs.gov.

The companies' contributions are examined on "Conflict and Contradiction" reports posted on the Center for Public Accountability website, www.politicalaccountability.net.

Particularly troublesome can be conflicts between a company's policies and practices and the policies or groups or candidates that...receive the company's money

The companies had created positive public images that they saw as critical to their success in a competitive marketplace. They did that in a variety of ways. One was through enlightened personnel policies that prohibited discrimination based on sexual orientation and provided benefits to same sex partners. Several had programs for gay and lesbian employees. In addition, several of the companies contributed to education reform efforts and worked closely with state departments of education.[37]

ARM, however, used the companies' contributions to help underwrite three groups with agendas that conflicted in major areas with donor company policies. The groups were the Traditional Values Coalition (TVC), the Coalition for America's Families and Texans for a Republican Majority (TRM).

The TVC, which billed itself as the largest church-lobby in the United States, actively opposed gay rights and a woman's right to choose and opposed the teaching of evolution in public schools. It featured a series of reports on its website called the "Homosexual Urban Legends Series," which promoted the belief in a connection "between homosexuality and the molestation of children."[38]

The Coalition for America's Families was a prominent pro-voucher, anti-public education organization.

TRM was a major contributor to 24 candidates for the Texas House of Representatives in 2002. Many of those candidates who were elected joined a legislative caucus that supported home schooling and keeping state health and safety standards to a "minimum" and opposed gay rights.[39]

Disclosure that its money went to the TVC made at least one company—Union Pacific—uncomfortable. As a company spokesman told the Omaha World-Herald in April 2004, "That is a choice that they [ARM] made. We don't have a say in what they do with their PAC (political action committee) money. That is a risk we take. We would not have chosen to give our own money to the Traditional Values Coalition, by any means."[40]

37 See Conflict and Contradiction reports on SBC Communications, Altria Group, BellSouth and Union Pacific at www.politicalaccountability.net. See www.hrc.org for company personnel policies. See company websites for education grants and initiatives of each of the companies.

38 Traditional Values Coalition www.traditionalvalues.org/urban/

39 Texas Conservative Coalition www.txcc.org/tcc_home.html

40 "Union Pacific Political Gifts are Questioned," Omaha World Herald, April 16, 2004

chart here

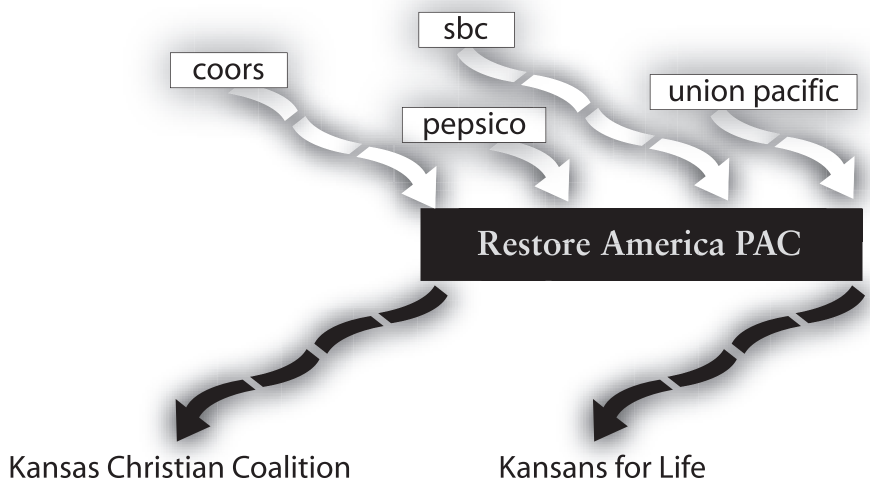
Source: *Internal Revenue Service 527 disclosure, http://forms.irs.gov/politicalOrgsSearch/search/basicSearchjsp?ck (for Americans for a Republican Majority and Texans for a Republican Majority)*

Restore America PAC was another group that acted as a conduit for corporate political money to controversial organizations. An independent political committee, it raised $95,000 and $126,000 in the 2000 and 2002 election cycles respectively. Public companies supporting it in one or both of the election cycles included PepsiCo, SBC Communications, Union Pacific and Coors Brewing. Indeed, all but Union Pacific are consumer product companies, whose reputations are a significant component of shareholder value. These companies had progressive personnel policies that were sensitive to employee diversity, provided partner benefits and contributed to education and the arts to enhance their image.[41]

41 See Human Rights Campaign website www.hrc.org for company policies on sexual orientation partner benefits.

However, soft money contributions made by those companies to Restore America PAC ended up with several groups that promoted contrary policies. These organizations included Kansans for Life, an anti-abortion group affiliated with the National Right to Life Committee, and the Christian Coalition. According to the Christian Coalition website, the organization opposed domestic partner benefits and prohibiting discrimination based on sexual preference. It supported parental choice in education and protecting the display of the Ten Commandments in public buildings.[42]

42 Christian Coalition www.cc.org/issues.



Consequences

For shareholders and financial analysts, company contributions raise a serious issue: why do executives not consider possible reputational impacts when they decide on their company's political contributions? As Chief Executive Magazine commented on Fed Chairman Greenspan's concern about corporate reputation, "If Greenspan is broaching the issue, you can be sure there's a financial effect."[43] It is something that companies, shareholders and financial analysts need to weigh in evaluating the risks from corporate political giving and their possible impact on shareholder value. As pointed out above, ferreting out a company's soft money contributions is a daunting task since companies rarely disclose their donations and a full picture of their contributions must be pieced together from many sources. Company disclosure is critical if shareholders and analysts are to be able to spot possible threats.

43 "Can CEOs Defend Corporate America's Image?" Chief Executive, July 2002.

If Greenspan is broaching the issue [of corporate reputation], you can be sure there's a financial effect.— Chief Executive magazine.

corporate political transparency and accountability are critical for spotting and mitigating risk.

IV

Evaluating Corporate Political Behavior

As the two previous sections suggest, a company's political contributions, which currently are secret, may point to possible management, reputational or related problems that can affect shareholder value. Since donations are like canaries in a mine, corporate political transparency and accountability are critical to spotting and mitigating risk.

Just how important transparency and accountability are is indicated by a survey conducted this past summer by the CPA of company political giving practices and policies. The results point to possible management confusion about what constitutes corporate political giving. In a questionnaire sent to 488 primarily large-cap public companies, the Center asked whether they used corporate funds, also known as soft money, for political contributions. Thirty-one companies responded with 22 saying that they did not make corporate political contributions. However, the Center found that eight companies—a third of those that said they did not use soft money—appeared to have made contributions with corporate funds in the 2004 election cycle, contrary to their answer on the questionnaire. The companies were Air Products and Chemicals, Cintas, Diebold, DTE Energy, Interstate Bakeries, Progress Energy, Schering Plough and Household International.[44] Their contributions ranged from $2,500 for Air Products to $110,663 for Household International. A complete list of these companies' contributions is included in Appendix I.

To give shareholders and analysts a framework for evaluating companies, the Center has developed two measures of company policies, practices and giving. One is the CPA

44 See Appendix I for results of the CPA survey. Companies on the Fortune 500 list for 2004 received the survey. The CPA checked on the Center for Public Integrity website (www.publicintergrity.org/527) whether companies that responded that they did not make soft money contributions had, in fact, given to independent political committees, also known as 527s.

Rating that grades companies on transparency and accountability. These are assessed in two ways. The Political Accountability Rating (Appendix II) focuses on the policies and procedures a company follows for making its political contributions. The Center pays particular attention to whether a company discloses those policies and procedures. Unless they are disclosed, it is impossible to assess their meaningfulness and implementation. TheContribution Transparency Rating (Appendix III) examines whether a company discloses its contributions, their purpose and the decision makers for each contribution. To compute the scores, the Center reviewed company websites. The two grades are summarized in Appendix IV.

The second measure is the Comparative Giving Assessment (CGA) (Appendix V). It compares a company's donations with those of its peers by industry and identifies those companies that diverge from the industry mean. The CPA Rating and CGA are presented for 120 large cap companies in 11 major industry groups.[45]

45 The 11 industry groups as defined by Reuters are aerospace and defense, broadcasting and cable TV, communications services, consumer financial services, electric utilities, investment services, major drugs, money center banks, oil and gas–integrated, railroads, and retail (department and discount).

The CPA Rating

The Center scored companies on the policies and procedures they followed for making contributions and on the completeness of disclosure of their contributions. Only one, Morgan Stanley, received high marks for both transparency and accountability. In December 2004, the company announced board approval of an amended Corporate Governance Policy that provides for the availability of the firm's political contributions on its website and board oversight of its political donations and policies. Another company, Pfizer, received a passing grade for transparency because it disclosed its soft money contributions on its website. The other 118 companies received an F for transparency because they did not disclose their political donations. One company, Honeywell International, reported that it did not make corporate political contributions. (See Appendices II, III and IV)

When the focus was only on their policies and procedures, grades were mixed (Appendix II). The Center looked at several factors in its review of company websites, including whether a company disclosed its contribution policy, spelled out the criteria for approving contributions, required prior approval of contributions by a superior or department, and provided for executive-level or board oversight of contributions.

The CPA found that:

89 companies disclosed a contribution policy on their website.

50 said they required prior approval for contributions.

45 reported that they required a company officer or a department to approve political contributions.

8 indicated executive-level oversight of contributions.

2 said that their boards exercised oversight over corporate contributions.

Two companies—Time Warner and ExxonMobil—were awarded a B for accountability. In addition to disclosing their contribution policies, the companies said that they required prior approval of contributions by a superior or department and had executive-level and board oversight of contributions.

Five companies—FPL Group, Merck, Schering-Plough, AES, CIT Group and Rockwell Collins—received a C. Their websites reported that they required prior approval by an officer or department for company contributions and that they had executive-level oversight of political donations. However, the absence of board oversight lowered their grade.

In the end, the failure of the seven companies to disclose their contributions undermined their moves toward greater accountability. As the Center has made clear, accountability is meaningful only when it is accompanied by broad disclosure of policies, procedures and contributions.

The CPA failed two companies—BP and Southern Co.—because they appeared not to follow the contribution policies posted on their websites. They stand out as prime examples of why transparency and accountability are essential to assure that companies adhere to their stated policies and to allow shareholders to verify company behavior.

shareholders and analysts need to be able to judge whether companies are making excessive or unusual contributions…

In the case of energy giant BP, the company stated on its website that, "In April 2002 we stopped making corporate political contributions anywhere in the world. This policy is still in effect and no corporate political contributions were made in 2003."[46] However, the Center found in a review of Internal Revenue Service disclosure filings that BP's United States affiliates made political contributions totaling $37,895 between May 2003 and September 2004. The company's soft money went to three 527 committees. The groups, which received substantial corporate soft money, were the Republican Governors Association, the Democratic Governors Association and the New Democrat Network.[47]

Southern Co., a public utility headquartered in Atlanta, Georgia, said on its website that, "Company resources are not used, directly or indirectly, to support political candidates."[48] The Center found, however, that Southern gave $6,000 in February 2004 to the Republican Governors Association (RGA), a group that supports Republican gubernatorial candidatesthrough campaign contributions. According to RGA disclosure reports filed with the Internal Revenue Service, the association in turn gave $4,088,961 to Republican gubernatorial campaigns in 2004, including $1.6 million to the Mitch [Daniels] for Governor campaign in Indiana.[49]

46 BP
http://www.bp.com/genericarticle.do?categoryId=2011495&contentId=2016876

47 Center for Public Integrity
www.publicintegrity.org/527

48 Southern Company
http://investor.southerncompany.com/governance/ethics.cfm

49 Center for Public Integrity
www.publicintegrity.org/527/search.aspx?act=com&orgid=479.
The Center for Public Integrity website links to the RGA's disclosure reports filed with the IRS.

The Comparative Giving Assessment

As was pointed out earlier in this report, shareholders and analysts need to be able to judge whether companies are making excessive or unusual contributions that could indicate serious problems. The Center sees the CGA as providing shareholders and analysts with a yardstick for measuring a company's contributions against those of its peers and spotting when the donations may be out of line.

To compute the CGA, the CPA analyzed the reported soft money contributions for the 2002 election cycle made by 120 large cap companies in 11 industry sectors. Included in the peer group analysis were U.S. public companies as well as foreign companies with assets in the United States having a market capitalization of over $5 billion.

It is important to note that the CPA looked only at soft money contributed at the federal level. Hard money given by company political action committees, personal contributions made by company executives, similar types of contributions made at the state and local levels, lobbying expenditures, and contributions made by trade associations and industry groups conducting political advocacy work on behalf of companies were not considered in this analysis. Consequently, the Center's analysis underestimates the total amount of corporate political giving.[50]

The industry peer groups used for this analysis were defined by Reuters, Inc.[51] They included aerospace and defense, broadcasting and cable TV, communication services, consumer financial services, electric utilities, investment services, major drugs, money center banks, oil and gas—integrated, railroads and retail (department and discount). The Center examined all companies of the same market capitalization and compared each company's contribution to the mean and the 75 percent level within its industry group.

The CPA used figures developed by the Center for Responsive Politics (CRP) on corporate contributions to party committees at the national level.[52] It eliminated personal and political action committee contributions included by the CRP to assure that only donations made with corporate funds were used to calculate a company's CGA. Although the CRP data is limited, it provides an approximate indication of a company's contributions. In reviewing the political giving of the 120 companies, the Center found that 40 percent made donations that were substantially greater than those of their industry peers. In most instances, the largest contribution in a peer group was about three times above the mean.

accountability is meaningful only when it is accompanied by broad disclosure of policies.

50 In the future, the CPA intends to provide a more complete picture of corporate political giving.

51 Within those industries, only those foreign domiciled companies with U.S. subsidiaries, which are legally capable of making political contributions were included in these peer groups.

52 Center for Public Integrity http://www.opensecrets.org/softmoney/index.asp

However, in the consumer financial services and money center bank categories, the largest contributors, Freddie Mac and Citigroup respectively, gave at least eight times above the mean. As discussed previously, large political contributions can indicate possible questionable or illegal corporate activity. At a minimum, they should prompt shareholders and analysts to ask hard questions of management about the criteria they use to determine contributions, each contribution's purpose, and any due diligence that may have been conducted before making the contributions. The CGA results are presented in Appendix V.

Following are the CPA findings by industry group:

Aerospace and defense

Of the eight companies, three exceeded the group's mean contribution of $585,113. They were Lockheed Martin at $1,099,730, Northrop Grumman at $849,360 and Boeing at $698,500. Four companies—General Dynamics, Raytheon, Honeywell International, and Rockwell Collins—were below the mean.

Broadcasting and cable TV

Of the 13 companies, five exceeded the mean contribution of $152,084. They were Walt Disney at $515,400, EchoStar Communications at $495,000, Cablevision Systems at $295,750, Fox Entertainment Group at $214,950 and Comcast at $197,500. Eight companies, including Clear Channel Communications and Time Warner, were below the mean.

Communications services

Of the 11 companies, four exceeded the mean contribution of $875,907. They were AT&T at $3,137,142, Verizon Communications at $1,610,915, SBC Communications at $1,480,645 and BellSouth at $1,100,661. Seven companies were below the mean.

Consumer financial services

Of the six companies, two exceeded the mean contribution of $1,108,933. They were Freddie Mac at $4,023,115 and Fannie Mae at $1,829,835. Four companies were below the mean. They included Sallie

Mae at $526,500, American Express at $274,150, and CIT Group and Countrywide Financial which made no soft money contributions.

Electric utilities

Of the 25 companies, 10 exceeded the mean contribution of $233,666. They included Southern Co. at $959,988, Dominion Resources at $802,450 and FirstEnergy at $705,150. Fifteen companies were below the mean, including Progress Energy at $177,250 and Public Service Enterprise at $67,500. Nine companies made no soft money contributions.

Investment services

Of the 11 companies, four exceeded the mean of $138,913. They were Lehman Brothers at $581,295, Morgan Stanley at $491,365, Merrill Lynch at $240,379, and Charles Schwab at $200,000. Seven companies were below the mean. They included Bear Stearns at $15,000 and Franklin Resources, Goldman Sachs, Legg Mason, Mellon Financial, Nomura Holdings and T. Rowe Price that did not contribute.

Major drugs

Of the 16 companies, nine were above the mean contribution of $520,394. They included Pfizer at $1,347,764, Bristol Myers-Squibb at $1,265,317, Wyeth at $932,322 and Eli Lilly at $853,604. Seven companies were below the mean, including Abbott Laboratories at $335,100 and Merck at $85,900.

Money center banks

Of the 12 companies, three exceeded the mean contribution of $155,217. They were Citigroup at $1,387,860, J.P. Morgan Chase at $181,744, and Wachovia at $173,400. Nine companies were below the mean, including Bank of New York at $45,000, Bank of America at $35,000 and Wells Fargo at $300.

Oil and gas—integrated

Of the seven companies, two exceeded the mean contribution of $289,847. They were ChevronTexaco at $1,010,050 and Exxon Mobil at $321,000. Five companies were below the mean, including ConocoPhillips at $270,400, BP at $258,480 and Amerada Hess, which made no contributions.

Railroads

Of the five companies, three exceeded the mean contribution of $607,010. They were CSX at $1,035,000, Union Pacific at $835,580, and Burlington Northern Santa Fe at $818,072. Two companies were below the mean, including Norfolk Southern at $231,400 and Canadian National Railway at $115,000.

Retail (department and discount)

Of the eight companies, three exceeded the mean contribution of $154,687. They were Sears Roebuck at $489,150,[53] Kmart at $352,500, and Target at $162,350. Five companies were below the mean, including Wal-Mart at $123,497, May Department Stores at $100,000 and Kohl's at $10,000.

53 A Texas grand jury indicted Sears, Roebuck in late September 2004 for allegedly making an improper corporate contribution to a 527 committee that was deeply involved in 2002 Texas State House races. "DeLay Associates Indicted in Texas," Wall Street Journal, September 22, 2004

As the CPA analysis shows, a significant number of companies made contributions that substantially outstrip their industry mean. Taken in conjunction with the failure of companies to practice transparency and accountability, this pattern of disproportionate corporate political giving exposes shareholders to serious risks that they are unable to evaluate. The CPA Rating system and the Comparative Giving Assessment are modern day canaries that provide shareholders with tools to assess company political contribution policies and practices, judge when to ask hard questions of management, and gauge potential risk.

V

Conclusion

"One cannot say that the checks and balances against excessive power within the old WorldCom didn't work adequately. Rather the sad fact is that there were no checks and balances." That's how Richard C. Breeden, the court-appointed monitor, summed up WorldCom's corporate governance failures that contributed to the company's collapse.[54]

54 Richard C. Breeden, "Restoring Trust," August 2003.

Sadly, Breeden's observations about WorldCom also apply to the way most companies handle their political contributions. The lack of transparency and accountability in corporate political giving exposes shareholders to serious risks and makes it difficult, if not impossible, for them to spot the risks. The lack of transparency and accountability also leaves a gaping hole in corporate governance that only will get wider and deeper as companies come under renewed pressure to give soft money.

To recap the report, it suggested that:

An over-reliance by companies on political contributions—and influence—to carry out their business strategy can indicate problems that could threaten a company's underlying soundness.

The failure of companies to conduct due diligence on their political giving and ultimate recipients can create reputational problems that could threaten shareholder value.

It found that:

Only one company disclosed its soft money contributions to shareholders on its website and had board oversight of its political donations and policies. A second company disclosed its contributions made with corporate funds but did not provide for board or executive level review of contributions.

Most companies had no or minimal internal controls on their political contributions.

It disclosed instances of:

Apparent management non-compliance with company political contribution policies.

Company political giving that was out of line with that of its competitors, suggesting a possible wasteful expenditure of corporate money.

It presented two new tools—the *CPA Political Accountability and Contribution Transparency Rating* and the *Comparative Giving Assessment*—to help shareholders, analysts and others evaluate company political giving risk.

Looking ahead, the report underscores the need to include transparency and accountability in corporate political giving in the corporate governance agenda. A company's political contributions can be invaluable for providing early warning signals about potential company problems and questionable management behavior. Corporate soft money is indeed the shareholder's canary.

Corporate soft money is indeed the shareholder's canary.

Contradictory Corporate Policies & Actions[55]

Company	Give soft money? (survey response	Give soft money? (CPA analysis)	527 committee	Date	Amount 2003-04	Total
Air Products & Chemicals	no	yes	Excellence in Public Service Series, Inc.	4.23.03	$2,500	$2,500
Cintas	no	yes	Republican Governors Association	5.19.03	$15,000	$72,500
			Republican Governors Association	3.3.04	$50,000	
			Republican State Leadership Committee	6.6.03	$7,500	
Diebold	no	yes	Republican Governors Association	5.9.03	$25,000	$25,000
DTE Energy	no	yes	Republican Governors Association	1.27.04	$10,000	$26,000
			The Cox Administrative Account	9.23.03	$1,000	
			The Cox Administrative Account	8.25.04	$10,000	
			Grassroots Fund	8.13.04	$2,500	
			Democratic Legislative Campaign Committee	7.8.03	$2,500	
Household International	no	yes	Democratic Attorneys General Association, Inc.	9.5.03	$7,500	$110,663
			Democratic Attorneys General Association, Inc	9.10.03	$7,500	
			Democratic Attorneys General Association, Inc.	11.4.03	$5,073	
			Democratic Legislative Campaign Committee	6.9.04	$15,000	
			New Democrat Network—Non-Federal	4.8.03	$5,000	
			Republican State Leadership Committee	3.31.03	$295	
			Republican State Leadership Committee	3.31.03	$295	
			Republican State Leadership Committee	4.4.03	$12,500	

55 Based on responses to a voluntary survey created by the CPA. Subsequent research has suggested that these corporations did not follow their own policies on political giving. The Center for Public Integrity website links to the RGA's, DGA's and NDN's disclosure report filed with the IRS.

Company	Give soft money? (survey response	Give soft money? (CPA analysis)	527 committee	Date	Amount 2003-04	Total
			Republican State Leadership Committee	4.4.03	$12,500	
			Republican State Leadership Committee	4.4.03	$12,500	
			Republican State Leadership Committee	4.4.03	$12,500	
			Republican State Leadership Committee	5.27.04	$20,000	
Interstate Bakeries	**no**	**yes**	**American Bakers Assoc. Political Education Committee**	**1.24.03**	**$500**	$6,300
			American Bakers Assoc. Political Education Committee	**7.23.03**	**$5,800**	
Progress Energy	**no**	**yes**	**Republican State Leadership Committee**	**4.16.04**	**$2,000**	$17,000
			Floridians Uniting for a Stronger Tomorrow	**12.31.03**	**$10,000**	
			Republican Governors Association	**10.29.03**	**$395**	
			Republican Governors Association	**12.3.03**	**-$395**	
			Republican Governors Association	**4.5.04**	**$2,500**	
			Republican Governors Association	**4.5.04**	**$2,500**	
Schering Plough Corporation	**no**	**yes**	**Republican State Leadership Committee**	**11.3.03**	**$5,000**	$40,395
			Republican State Leadership Committee	**8.6.04**	**$5,000**	
			Republican Governors Association	**7.8.03**	**$15,000**	
			Republican Governors Association	**12.3.03**	**$395**	
			Republican Governors Association	**9.27.04**	**$15,000**	

Political Accountability Rating

The following table rates companies on their political accountability policies and procedures. The ratings are based the Center's review of information posted by companies on their websites on their political contribution policies and the procedures they follow for deciding on and overseeing political contributions. The ratings cover only company policies and procedures for political contributions made with corporate funds.

Where a company disclosed its political contribution policy on its website, the Center reviewed the policy to determine the following:

1. Does the contribution policy disclose specific criteria for approval of each contribution?
2. Is prior approval required for making any political contributions?
3. Does the policy indicate the name of an approving officer or department within the company that must approve political contributions?
4. Does the policy require executive level oversight of political contributions?
5. Does the policy require board of director oversight of its political contributions?
6. Do any of the contributions made by the company (as determined by researching public records) conflict with the company's contribution policies?

The Accountability Rating weights each of these factors, providing both a percentage (%) score and a letter grade, as indicated below.

- ● Indicates that the particular policy provision is included in the company policy posted on its web site.
- ❍ Indicates that the particular policy provision is not included in the company policy posted on its web site.
- ❑ Indicates that no conflict exists between a company's stated contribution policies and its actual contribution practices.
- ■ Indicates that an apparent conflict exists between a company's stated contribution policies and its actual contribution practices.

Company	Policy disclosed	Specific criteria for approval disclosed	Prior approval required	Approving officer or department disclosed	Executive level oversight disclosed	Board oversight disclosed	Contributions conflict with policy	Accountability rating	% Score
Abbott Laboratories	●	❍	●	●	❍	❍	❑	**D**	**70**
ABN AMRO Holding N.V.	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
AES Corporation	●	❍	●	●	●	❍	❑	**C**	**80**
Alcon	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Alltel Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**
Amerada Hess Corporation	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Ameren Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**
American Electric Power	●	❍	❍	❍	❍	❍	❑	**F**	**50**
American Express	●	❍	❍	❍	❍	❍	❑	**F**	**50**
AstraZeneca PLC	●	●	●	❍	❍	❍	❑	**D**	**70**
AT&T Corp.	●	❍	●	●	❍	❍	❑	**D**	**70**
AT&T Wireless Services	●	❍	●	●	❍	❍	❑	**D**	**70**
Aventis	●	❍	●	●	❍	❍	❑	**D**	**70**
Bank of America	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Bank of New York	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Barclays PLC	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Bayer AG	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Bear Stearns	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
BellSouth Corporation	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Boeing Company	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
BP p.l.c.	●	❍	❍	❍	❍	❍	■	**F**	**-10**
Bristol-Myers Squibb	●	❍	●	●	❍	❍	❑	**D**	**70**
Burlington Northern Santa Fe	●	❍	❍	❍	❍	❍	❑	**F**	**50**

Company	Policy disclosed	Specific criteria for approval disclosed	Prior approval required	Approving officer or department disclosed	Executive level oversight disclosed	Board oversight disclosed	Contributions conflict with policy	Accountability rating	% Score
Cablevision Systems	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Canadian National Railway	●	❍	●	●	❍	❍	❑	**D**	**70**
Charles Schwab	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
ChevronTexaco Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**
Cinergy Corp.	●	❍	❍	❍	❍	❍	❑	**F**	**50**
CIT Group	●	❍	●	●	●	❍	❑	**C**	**80**
Citigroup	●	❍	●	●	❍	❍	❑	**D**	**70**
Clear Channel Communications	●	❍	●	●	❍	❍	❑	**D**	**70**
Comcast Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**
ConocoPhillips	●	❍	●	●	❍	❍	❑	**D**	**70**
Consolidated Edison, Inc.	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Constellation Energy Group	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Countrywide Financial	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Cox Communications	●	❍	●	●	❍	❍	❑	**D**	**70**
CSX Corporation	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Deutsche Bank AG	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
DIRECTV Group	●	❍	●	●	❍	❍	❑	**D**	**70**
Dominion Resources, Inc.	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
DTE Energy Company	●	❍	●	●	❍	❍	❑	**D**	**70**
Duke Energy Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**
E.ON AG	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
EchoStar Communications	❍	❍	❍	❍	❍	❍	❑	**F**	**0**

Company	Policy disclosed	Specific criteria for approval disclosed	Prior approval required	Approving officer or department disclosed	Executive level oversight disclosed	Board oversight disclosed	Contributions conflict with policy	Accountability rating	% Score
Edison International	●	❍	●	❍	❍	❍	❑	**F**	**60**
Eli Lilly	●	❍	●	●	❍	❍	❑	**D**	**70**
Entergy Corporation	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Exelon Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**
Exxon Mobil Corporation	●	❍	●	●	●	●	❑	**B**	**90**
Fannie Mae	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Federated Department Stores	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
FirstEnergy Corp.	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Fox Entertainment Group	●	❍	●	●	❍	❍	❑	**D**	**70**
FPL Group, Inc.	●	❍	●	●	●	❍	❑	**C**	**80**
Franklin Resources	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Freddie Mac	●	❍	❍	❍	❍	❍	❑	**F**	**50**
General Dynamics	●	❍	❍	❍	❍	❍	❑	**F**	**50**
GlaxoSmithKline plc	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Goldman Sachs Group	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Honeywell International	●	❍	❍	❍	❍	❍	❑	**F**	**50**
HSBC Holdings PLC	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
J.C. Penney Company	●	❍	●	●	❍	❍	❑	**D**	**70**
J.P. Morgan Chase	●	❍	●	●	❍	❍	❑	**D**	**70**
Johnson & Johnson	●	❍	●	●	❍	❍	❑	**D**	**70**
Kmart	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Kohl's Corporation	●	❍	●	●	❍	❍	❑	**D**	**70**

Company	Policy disclosed	Specific criteria for approval disclosed	Prior approval required	Approving officer or department disclosed	Executive level oversight disclosed	Board oversight disclosed	Contributions conflict with policy	Accountability rating	% Score
Legg Mason	○	○	○	○	○	○	❑	F	0
Lehman Brothers Holdings	○	○	○	○	○	○	❑	F	0
Liberty Media	○	○	○	○	○	○	❑	F	0
Lockheed Martin	●	○	○	○	○	○	❑	F	50
May Department Stores	○	○	○	○	○	○	❑	F	0
MCI (WorldCom)	●	○	●	●	○	○	❑	D	70
Mellon Financial	●	○	○	○	○	○	❑	F	50
Merck & Co., Inc.	●	○	●	●	●	○	❑	C	80
Merrill Lynch	●	○	●	○	○	○	❑	F	60
Morgan Stanley	●	●	●	●	○	●	❑	B	90
National Grid Transco	●	○	●	●	○	○	❑	D	70
Nextel Communications	●	○	●	●	○	○	❑	D	70
Nomura Holdings	○	○	○	○	○	○	❑	F	0
Norfolk Southern Corp.	●	○	●	○	○	○	❑	F	60
Northrop Grumman	●	○	○	○	○	○	❑	F	50
Novartis AG	○	○	○	○	○	○	❑	F	0
Pfizer	●	○	○	○	○	○	❑	F	50
PG&E Corporation	●	○	●	●	○	○	❑	D	70
PPL Corporation	●	○	●	●	○	○	❑	D	70
Progress Energy, Inc.	●	○	○	○	○	○	❑	F	50
Public Service Enterprise	●	○	○	○	○	○	❑	F	50
Qwest Communications	●	○	○	○	○	○	❑	F	50

Company	Policy disclosed	Specific criteria for approval disclosed	Prior approval required	Approving officer or department disclosed	Executive level oversight disclosed	Board oversight disclosed	Contributions conflict with policy	Accountability rating	% Score
Raytheon	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Roche Holding AG	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Rockwell Collins	●	❍	●	●	●	❍	❑	**C**	**80**
Royal Dutch Petroleum (Shell)	●	❍	❍	❍	❍	❍	❑	**F**	**50**
SBC Communications Inc.	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Schering AG	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Schering-Plough	●	❍	●	●	●	❍	❑	**C**	**80**
Scottish Power UK plc	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Sears Roebuck	●	❍	●	●	❍	❍	❑	**D**	**70**
SLM Corporation (Sallie Mae)	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Southern Co.	●	❍	❍	❍	❍	❍	■	**F**	**-10**
Sprint Corp	●	❍	●	●	❍	❍	❑	**D**	**70**
Suez SA	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Suncor Energy Inc.	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
T. Rowe Price Group	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Target	●	❍	●	●	❍	❍	❑	**D**	**70**
Time Warner	●	❍	●	●	●	●	❑	**B**	**90**
TXU Corporation	●	❍	●	❍	❍	❍	❑	**F**	**60**
U.S. Bancorp	●	❍	●	●	❍	❍	❑	**D**	**70**
UBS AG	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Union Pacific Corp.	●	❍	❍	❍	❍	❍	❑	**F**	**50**
UnitedGlobalCom	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Univision	●	❍	❍	❍	❍	❍	❑	**F**	**50**

Company	Policy disclosed	Specific criteria for approval disclosed	Prior approval required	Approving officer or department disclosed	Executive level oversight disclosed	Board oversight disclosed	Contributions conflict with policy	Accountability rating	% Score
Communications									
Verizon Communications	●	❍	●	●	❍	❍	❑	**D**	**70**
Viacom	●	❍	●	●	❍	❍	❑	**D**	**70**
Vivendi Universal	❍	❍	❍	❍	❍	❍	❑	**F**	**0**
Wachovia Corporation	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Wal-Mart	●	❍	●	●	❍	❍	❑	**D**	**70**
Walt Disney Company	●	❍	●	●	❍	❍	❑	**D**	**70**
Wells Fargo	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Wyeth	●	❍	❍	❍	❍	❍	❑	**F**	**50**
Xcel Energy Inc.	●	❍	❍	❍	❍	❍	❑	**F**	**50**

Contribution Transparency Rating

The following table rates companies on their political disclosure practices. The ratings are based the Center's review of information posted by companies on their websites on their political contribution policies and the procedures they follow for deciding on and overseeing political contributions. The ratings cover only company policies and procedures for political contributions made with corporate funds.

Where a company disclosed its political contribution policy on its website, the Center reviewed the policy to determine the following:

● Indicates that the company discloses its political contributions on its web site.

❍ Indicates that the company does not disclose its political contributions on its web site.

■ Indicates that the company discloses the decision maker making the particular contribution in its report to shareholders.

❑ Indicates that the company does not disclose the decision maker making the particular contribution on its web site.

▼ Indicates that the business rationale for each contribution is disclosed on its web site.

∇ Indicates that the business rationale for each contribution is not disclosed on its web site.

Company	Company discloses corporate political contributions on website	Decision maker disclosed	Business rationale disclosed	Transparency rating	% Score
Abbott Laboratories	❍	❑	∇	**F**	**0**
ABN AMRO Holding N.V.	❍	❑	∇	**F**	**0**
AES Corporation	❍	❑	∇	**F**	**0**
Alcon	❍	❑	∇	**F**	**0**
Alltel Corporation	❍	❑	∇	**F**	**0**
Amerada Hess Corporation	❍	❑	∇	**F**	**0**

Company	Company discloses corporate political contributions on website	Decision maker disclosed	Business rationale disclosed	Transparency rating	% Score
Ameren Corporation	❍	❑	∇	**F**	**0**
American Electric Power	❍	❑	∇	**F**	**0**
American Express	❍	❑	∇	**F**	**0**
AstraZeneca PLC	❍	❑	∇	**F**	**0**
AT&T Corp.	❍	❑	∇	**F**	**0**
AT&T Wireless Services	❍	❑	∇	**F**	**0**
Aventis	❍	❑	∇	**F**	**0**
Bank of America	❍	❑	∇	**F**	**0**
Bank of New York	❍	❑	∇	**F**	**0**
Barclays PLC	❍	❑	∇	**F**	**0**
Bayer AG	❍	❑	∇	**F**	**0**
Bear Stearns	❍	❑	∇	**F**	**0**
BellSouth Corporation	❍	❑	∇	**F**	**0**
Boeing Company	❍	❑	∇	**F**	**0**
BP p.l.c.	❍	❑	∇	**F**	**0**
Bristol-Myers Squibb	❍	❑	∇	**F**	**0**
Burlington Northern Santa Fe	❍	❑	∇	**F**	**0**
Cablevision Systems	❍	❑	∇	**F**	**0**
Canadian National Railway	❍	❑	∇	**F**	**0**
Charles Schwab	❍	❑	∇	**F**	**0**
ChevronTexaco Corporation	❍	❑	∇	**F**	**0**
Cinergy Corp.	❍	❑	∇	**F**	**0**
CIT Group	❍	❑	∇	**F**	**0**

Company	Company discloses corporate political contributions on website	Decision maker disclosed	Business rationale disclosed	Transparency rating	% Score
Citigroup	❍	❑	∇	**F**	**0**
Clear Channel Communications	❍	❑	∇	**F**	**0**
Comcast Corporation	❍	❑	∇	**F**	**0**
ConocoPhillips	❍	❑	∇	**F**	**0**
Consolidated Edison, Inc.	❍	❑	∇	**F**	**0**
Constellation Energy Group	❍	❑	∇	**F**	**0**
Countrywide Financial	❍	❑	∇	**F**	**0**
Cox Communications	❍	❑	∇	**F**	**0**
CSX Corporation	❍	❑	∇	**F**	**0**
Deutsche Bank AG	❍	❑	∇	**F**	**0**
DIRECTV Group	❍	❑	∇	**F**	**0**
Dominion Resources, Inc.	❍	❑	∇	**F**	**0**
DTE Energy Company	❍	❑	∇	**F**	**0**
Duke Energy Corporation	❍	❑	∇	**F**	**0**
E.ON AG	❍	❑	∇	**F**	**0**
EchoStar Communications	❍	❑	∇	**F**	**0**
Edison International	❍	❑	∇	**F**	**0**
Eli Lilly	❍	❑	∇	**F**	**0**
Entergy Corporation	❍	❑	∇	**F**	**0**
Exelon Corporation	❍	❑	∇	**F**	**0**
Exxon Mobil Corporation	❍	❑	∇	**F**	**0**
Fannie Mae	❍	❑	∇	**F**	**0**
Federated	❍	❑	∇	**F**	**0**

Company	Company discloses corporate political contributions on website	Decision maker disclosed	Business rationale disclosed	Transparency rating	% Score
Department Stores					
FirstEnergy Corp.	❍	❑	∇	F	0
Fox Entertainment Group	❍	❑	∇	F	0
FPL Group, Inc.	❍	❑	∇	F	0
Franklin Resources	❍	❑	∇	F	0
Freddie Mac	❍	❑	∇	F	0
General Dynamics	❍	❑	∇	F	0
GlaxoSmithKline plc	❍	❑	∇	F	0
Goldman Sachs Group	❍	❑	∇	F	0
Honeywell International	❍	❑	∇	F	0
HSBC Holdings PLC	❍	❑	∇	F	0
J.C. Penney Company	❍	❑	∇	F	0
J.P. Morgan Chase	❍	❑	∇	F	0
Johnson & Johnson	❍	❑	∇	F	0
Kmart	❍	❑	∇	F	0
Kohl's Corporation	❍	❑	∇	F	0
Legg Mason	❍	❑	∇	F	0
Lehman Brothers Holdings	❍	❑	∇	F	0
Liberty Media	❍	❑	∇	F	0
Lockheed Martin	❍	❑	∇	F	0
May Department Stores	❍	❑	∇	F	0
MCI (WorldCom)	❍	❑	∇	F	0
Mellon Financial	❍	❑	∇	F	0
Merck & Co., Inc.	❍	❑	∇	F	0

Company	Company discloses corporate political contributions on website	Decision maker disclosed	Business rationale disclosed	Transparency rating	% Score
Merrill Lynch	❍	❑	∇	**F**	**0**
Morgan Stanley	●	■	∇	**B**	**87.5**
National Grid Transco	❍	❑	∇	**F**	**0**
Nextel Communications	❍	❑	∇	**F**	**0**
Nomura Holdings	❍	❑	∇	**F**	**0**
Norfolk Southern Corp.	❍	❑	∇	**F**	**0**
Northrop Grumman	❍	❑	∇	**F**	**0**
Novartis AG	❍	❑	∇	**F**	**0**
Pfizer	●	❑	∇	**C**	**75.0**
PG&E Corporation	❍	❑	∇	**F**	**0**
PPL Corporation	❍	❑	∇	**F**	**0**
Progress Energy, Inc.	❍	❑	∇	**F**	**0**
Public Service Enterprise	❍	❑	∇	**F**	**0**
Qwest Communications	❍	❑	∇	**F**	**0**
Raytheon	❍	❑	∇	**F**	**0**
Roche Holding AG	❍	❑	∇	**F**	**0**
Rockwell Collins	❍	❑	∇	**F**	**0**
Royal Dutch Petroleum (Shell)	❍	❑	∇	**F**	**0**
SBC Communications Inc.	❍	❑	∇	**F**	**0**
Schering AG	❍	❑	∇	**F**	**0**
Schering-Plough	❍	❑	∇	**F**	**0**
Scottish Power UK plc	❍	❑	∇	**F**	**0**
Sears Roebuck	❍	❑	∇	**F**	**0**
SLM Corporation (Sallie Mae)	❍	❑	∇	**F**	**0**

Company	Company discloses corporate political contributions on website	Decision maker disclosed	Business rationale disclosed	Transparency rating	% Score
Southern Co.	❍	❑	∇	**F**	**0**
Sprint Corp	❍	❑	∇	**F**	**0**
Suez SA	❍	❑	∇	**F**	**0**
Suncor Energy Inc.	❍	❑	∇	**F**	**0**
T. Rowe Price Group	❍	❑	∇	**F**	**0**
Target	❍	❑	∇	**F**	**0**
Time Warner	❍	❑	∇	**F**	**0**
TXU Corporation	❍	❑	∇	**F**	**0**
U.S. Bancorp	❍	❑	∇	**F**	**0**
UBS AG	❍	❑	∇	**F**	**0**
Union Pacific Corp.	❍	❑	∇	**F**	**0**
UnitedGlobalCom	❍	❑	∇	**F**	**0**
Univision Communications	❍	❑	∇	**F**	**0**
Verizon Communications	❍	❑	∇	**F**	**0**
Viacom	❍	❑	∇	**F**	**0**
Vivendi Universal	❍	❑	∇	**F**	**0**
Wachovia Corporation	❍	❑	∇	**F**	**0**
Wal-Mart	❍	❑	∇	**F**	**0**
Walt Disney Company	❍	❑	∇	**F**	**0**
Wells Fargo	❍	❑	∇	**F**	**0**
Wyeth	❍	❑	∇	**F**	**0**
Xcel Energy Inc.	❍	❑	∇	**F**	**0**

Political Accountability Contribution Transparency Rating

Company	Political Accountability Rating	Contribution Transparency Rating
Abbott Laboratories	D	F
ABN AMRO Holding N.V.	F	F
AES Corporation	C	F
Alcon	F	F
Alltel Corporation	D	F
Amerada Hess Corporation	F	F
Ameren Corporation	D	F
American Electric Power	F	F
American Express	F	F
AstraZeneca PLC	D	F
AT&T Corp.	D	F
AT&T Wireless Services	D	F
Aventis	D	F
Bank of America	F	F
Bank of New York	F	F
Barclays PLC	F	F
Bayer AG	F	F
Bear Stearns	F	F
BellSouth Corporation	F	F
Boeing Company	F	F
BP p.l.c.	F	F
Bristol-Myers Squibb	D	F
Burlington Northern Santa Fe	F	F
Cablevision Systems	F	F
Canadian National Railway	D	F
Charles Schwab	F	F
ChevronTexaco Corporation	D	F
Cinergy Corp.	F	F
CIT Group	C	F
Citigroup	D	F
Clear Channel Communications	D	F
Comcast Corporation	D	F
ConocoPhillips	D	F
Consolidated Edison, Inc.	F	F
Constellation Energy Group	F	F
Countrywide Financial	F	F
Cox Communications	D	F
CSX Corporation	F	F
Deutsche Bank AG	F	F
DIRECTV Group	D	F
Dominion Resources, Inc.	F	F
DTE Energy Company	D	F
Duke Energy Corporation	D	F
E.ON AG	F	F
EchoStar Communications	F	F
Edison International	F	F

Company	Political Accountability Rating	Contribution Transparency Rating
Eli Lilly	D	F
Entergy Corporation	F	F
Exelon Corporation	D	F
Exxon Mobil Corporation	B	F
Fannie Mae	F	F
Federated Department Stores	F	F
FirstEnergy Corp.	F	F
Fox Entertainment Group	D	F
FPL Group, Inc.	C	F
Franklin Resources	F	F
Freddie Mac	F	F
General Dynamics	F	F
GlaxoSmithKline plc	F	F
Goldman Sachs Group	F	F
Honeywell International	F	F
HSBC Holdings PLC	F	F
J.C. Penney Company	D	F
J.P. Morgan Chase	D	F
Johnson & Johnson	D	F
Kohl's Corporation	D	F
Kmart	F	F
Lehman Brothers Holdings	F	F
Legg Mason	F	F
Liberty Media	F	F
Lockheed Martin	F	F
May Department Stores	F	F
MCI (WorldCom)	D	F
Mellon Financial	F	F
Merck & Co., Inc.	C	F
Merrill Lynch	F	F
Morgan Stanley	B	B
National Grid Transco	D	F
Nextel Communications	D	F
Nomura Holdings	F	F
Norfolk Southern Corp.	F	F
Northrop Grumman	F	F
Novartis AG	F	F
Pfizer	F	C
PG&E Corporation	D	F
PPL Corporation	D	F
Progress Energy, Inc.	F	F
Public Service Enterprise	F	F
Qwest Communications	F	F
Raytheon	F	F
Roche Holding AG	F	F
Rockwell Collins	C	F
Royal Dutch Petroleum	F	F
SBC Communications Inc.	F	F
Schering AG	F	F

Company	Political Accountability Rating	Contribution Transparency Rating	Company	Political Accountability Rating	Contribution Transparency Rating
Schering-Plough	**C**	**F**	**Union Pacific Corp.**	**F**	**F**
Scottish Power UK plc	**F**	**F**	**UnitedGlobalCom**	**F**	**F**
Sears Roebuck	**D**	**F**	**Univision**	**F**	**F**
SLM Corporation (Sallie Mae)	**F**	**F**	**U.S. Bancorp**	**D**	**F**
			Verizon Communications	**D**	**F**
Southern Co.	**F**	**F**	**Viacom**	**D**	**F**
Sprint Corp	**D**	**F**	**Vivendi Universal**	**F**	**F**
Suez SA	**F**	**F**	**Wachovia Corporation**	**F**	**F**
Suncor Energy Inc.	**F**	**F**	**Wal-Mart**	**D**	**F**
T. Rowe Price Group	**F**	**F**	**Walt Disney Company**	**D**	**F**
Target	**D**	**F**	**Wells Fargo**	**F**	**F**
Time Warner	**B**	**F**	**Wyeth**	**F**	**F**
TXU Corporation	**F**	**F**	**Xcel Energy Inc. Communications**	**F**	**F**
UBS AG	**F**	**F**			

Comparative Giving Assessment: Political Contributions by Industry Peer Group

Company	Soft money 2002
AEROSPACE AND DEFENSE	
Lockheed Martin	$1,099,730
Northrop Grumman	$849,360
Boeing Company	$698,500
mean	$585,113
General Dynamics	$545,817
Raytheon[1]	$317,270
Honeywell International	$0
Rockwell Collins	$0

1 *Raytheon is technically a conglomerate, but its defense industry connections are well established. It is therefore included in the analysis.*

Company	Soft money 2002
BROADCASTING AND CABLE TV	
Walt Disney Company	$515,400
EchoStar Communications	$495,000
Cablevision Systems	$295,750
Fox Entertainment Group[1]	$214,950
Comcast Corporation	$197,500
mean	$152,084
Clear Channel Communications	$121,250
Univision Communications	$54,000
Cox Communications	$30,000
UnitedGlobalCom	$25,000
Viacom	$19,541
Time Warner	$8,699
DIRECTV Group	$0
Liberty Media	$0

1 *Fox Entertainment Group is 85% owned by News Corp, an Australian company that gave $497,874 in the 2002 election cycle. News Corp is a member of the Printing and Publishing industry sector and is therefore not included in this analysis.*

Company	Soft money 2002
COMMUNICATION SERVICES	
AT&T Corp.	$3,137,142
Verizon Communications	$1,610,915
SBC Communications Inc	$1,480,645
BellSouth Corporation	$1,100,661
Mean	$875,907
Vivendi Universal	$785,208
Qwest Communications[1]	$614,009
MCI (WorldCom)[2]	$508,292
Sprint Corp	$308,100
AT&T Wireless Services[3]	$80,000
Nextel Communications	$10,000
Alltel Corporation	$0

1 *Market Capitalization of Qwest in 2002, before scandals, was much higher. Therefore, Qwest has been included in this analysis.*
2 *MCI was WorldCom before its bankruptcy in 2002.*
3 *Spun off from AT&T in 2001.*

Company	Soft money 2002
CONSUMER FINANCIAL SERVICES	
Freddie Mac	$4,023,115
Fannie Mae	$1,829,835
mean	$1,108,933
SLM Corporation (Sallie Mae)	$526,500
American Express	$274,150
CIT Group	$0
Countrywide Financial	$0
ELECTRIC UTILITIES	
Southern Co.	$959,988
Dominion Resources, Inc.	$802,450
FirstEnergy Corp.	$705,150
TXU Corporation	$575,666
Exelon Corporation	$545,300
FPL Group, Inc.	$418,632
PG&E Corporation	$310,950
Duke Energy Corporation	$306,265
Entergy Corporation	$261,750
Cinergy Corp.	$242,290
mean	$233,666
Progress Energy, Inc.	$177,250
Suez SA	$144,000
Public Service Enterprise	$67,500
Xcel Energy Inc.	$55,000

Company	Soft money 2002
Constellation Energy Group	$13,950
DTE Energy Company	$5,500
AES Corporation	$0
Ameren Corporation	$0
American Electric Power	$0
Consolidated Edison, Inc.	$0
Edison International	$0
National Grid Transco	$0
PPL Corporation	$0
E.ON AG	$0
Scottish Power UK plc	$0
INVESTMENT SERVICES	
Lehman Brothers Holdings	$581,295
Morgan Stanley	$491,365
Merrill Lynch	$240,379
Charles Schwab	$200,000
mean	$138,913
Bear Stearns	$15,000
Franklin Resources	$0
Goldman Sachs Group	$0
Legg Mason	$0
Mellon Financial	$0
Nomura Holdings	$0
T. Rowe Price Group	$0

Company	Soft money 2002
MAJOR DRUGS	
Pfizer	$1,347,764
Bristol-Myers Squibb	$1,265,317
Wyeth	$932,322
Eli Lilly	$853,604
Aventis	$783,450
Schering-Plough	$730,354
Novartis AG	$614,070
GlaxoSmithKline plc	$600,492
Johnson & Johnson	$536,588
mean	$520,394
Abbott Laboratories	$335,100
Roche Holding AG	$159,015
Merck & Co., Inc.	$85,900
AstraZeneca PLC	$67,327
Alcon	$15,000
Bayer AG	$0
Schering AG	$0
MONEY CENTER BANKS	
Citigroup	$1,387,860
J.P. Morgan Chase	$181,744
Wachovia Corporation	$173,400
mean	$155,217
Bank of New York	$45,000

Company	Soft money 2002
Bank of America	$35,000
Deutsche Bank AG	$25,000
U.S. Bancorp	$9,300
ABN AMRO Holding N.V.	$5,000
Wells Fargo	$300
Barclays PLC	$0
HSBC Holdings PLC	$0
UBS AG	$0
OIL AND GAS–INTEGRATED	
ChevronTexaco Corporation	$1,010,050
Exxon Mobil Corporation	$321,000
mean	$289,847
ConocoPhillips[1]	$270,400
BP p.l.c	$258,480
Suncor Energy Inc.	$154,000
Royal Dutch Petroleum (Shell)	$15,000
Amerada Hess Corporation	$0

1 *Merger of Conoco ($110,400 listed 2002 soft money contributions) and Phillips Petroleum ($160,000).*

Company	Soft money 2002
RAILROADS	
CSX Corporation	**$1,035,000**
Union Pacific Corp.	**$835,580**
Burlington Northern Santa Fe	**$818,072**
mean	**$607,010**
Norfolk Southern Corp.	**$231,400**
Canadian National Railway	**$115,000**

Company	Soft money 2002
RETAIL (DEPARTMENT AND DISCOUNT)	
Sears Roebuck	**$489,150**
Kmart	**$352,500**
Target	**$162,350**
mean	**$154,687**
Wal-Mart	**$123,497**
May Department Stores	**$100,000**
Kohl's Corporation	**$10,000**
Federated Department Stores	**$0**
J.C. Penney Company	**$0**