

in second tier investment

TED

A-78-324

March 24, 1978

Honorable Ken Cory  
State Controller  
1114 State Capitol  
Sacramento, CA 95814

Dear Mr. Cory:

The Fair Political Practices Commission has received your annual Statement of Economic Interests, dated March 1, 1978.

As you know, Government Code Section 87207(b)(2) provides that "in the case of a business entity which provides legal or brokerage services, the name of every person who paid fees to the business entity if the filer's pro rata share of fees from such person was equal to or greater than one thousand dollars (\$1,000)" must be disclosed. A recent decision by a California Appellate Court held that the threshold should be changed from \$1,000 to \$10,000, so that a filer need only disclose names of those clients who paid fees to the business entity of which his pro rata share was \$10,000 or more. The Commission is appealing this decision but filers may use the \$10,000 threshold pending the outcome of the appeals. Therefore, you should keep a careful record of all clients who make payments of which your pro rata share is more than \$1,000 because you may be required to report such information as a later date.

Attached to your Statement of Economic Interests was a letter from your wife, Lucille Des Jardins, attorney, advising you that she would not provide you with a list of her clients in which your community property interest would be more than \$1,000. Pursuant to the recent court decision, if you know or have reason to know who any of her clients are, and if your pro rata share of the fees is more than \$10,000 you must report them whether she gives her permission or not, unless they are protected by a legally recognized privilege (see 2 Cal. Adm. Code 18740 and Harry Simon Advice letter dated November 16, 1976, enclosed).

Also attached to your Statement was a copy of a letter to you from Republic Insurance Brokers, Inc. (Republic) stating that they would not provide you with a list of clients who paid fees to Republic of which your pro rata share was over \$1,000. We assume that you know it is not necessary to disclose any clients of Republic unless you own 10% or more of Republic through Kobe Enterprises (for example, if you own 80% of Kobe and Kobe owns 20% of Republic, you would own 16% of Republic).

Honorable Ken Cory

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On Schedule 721-E (Gifts) you listed a gift from Jules Glazer of a Carter Inauguration Portfolio and a gift from City of Hope of a Man of the Year Award. The Political Reform Act and previous advice given to you state that a good faith effort must be made to determine and report the value of all gifts received from a single source which total \$25 or more (see 2 FPPC Opinion 75-894-B, enclosed).

Please call me or Ted Prim, Chief of the Conflicts of Interest Division at 916/322-6444 if you have any questions.

Sincerely,

Gina Todd  
Documents Examiner

Enclosures