



## FAIR POLITICAL PRACTICES COMMISSION

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March 9, 2000

Honorable Gibson W. Lee  
Superior Court, Los Angeles County  
415 West Ocean Boulevard  
Long Beach, California 90802

**Re: Your Request for Advice  
Our File No. A-00-026**

Dear Judge Lee:

This letter responds to your request for advice about the Political Reform Act (the "Act").<sup>1</sup>

### I. QUESTION

When filing your Statement of Economic Interests (Form 700), must you disclose each company in which you have an investment held in your fully managed account through Salomon Smith Barney?

### II. CONCLUSION

Each investment held in the fully managed account must be reported independently on your Form 700.

### III. FACTS

You have a fully managed account through Salomon Smith Barney, which is managed by Lazard-International (Lazard Asset Management). Through this account, your money is used to purchase securities, which are held in your name. You have no control over the purchase or sale of the securities.

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<sup>1</sup> Government Code sections 81000 - 91015. Commission regulations appear at title 2, sections 18109 - 18996, of the California Code of Regulations.

#### IV. ANALYSIS

As a Superior Court Judge, you must file a Form 700 each year. (Section 87200.) On the Form 700, you must disclose, among other things, your "investments," as defined in the Act. (Section 87206.) You have asked whether the fully managed account is a disclosable "investment."

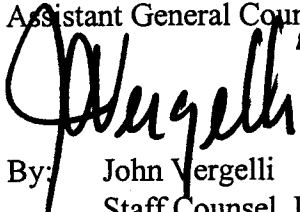
The Act defines "investment" to include, among other things, any financial interest in a security issued by a business entity. (Section 82034.) However, the definition of investment also includes several exceptions. You have asked about one of these exceptions. Specifically, an "interest in a diversified mutual fund registered with the Securities and Exchange Commission under the Investment Company Act of 1940" is not considered an "investment" for purposes of the Act. (*Ibid.*) You analogize your fully managed account to a diversified mutual fund, on the basis that an investor in a diversified mutual fund has no control over the fund's investments, just as you have no control over the securities held in your name in the fully managed account. Based on that analogy, you ask if the exception for diversified mutual funds covers your fully managed account.

The plain language of Section 82034 compels the conclusion that the investments in the fully managed account are fully reportable as distinct investments. Although the analogy you suggest between your fully managed account and a diversified mutual fund is sound as far as it goes, we cannot escape the precise requirements of the exception: Only diversified mutual funds registered with the SEC under the Investment Company Act of 1940 are covered by the exception. Given that the fully managed account does not meet those criteria, the exception does not apply to it. Thus, you must report each investment held in the fully managed account according to Section 87206 on your Form 700.

If you have any other questions regarding this matter, please contact me at (916) 322-5660.

Sincerely,

Luisa Menchaca  
Assistant General Counsel



By: John Vergelli  
Staff Counsel, Legal Division

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