The Asset Management Industry
SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

MEMO# 2566

February 27, 1991

CALIFORNIA COURT OF APPEAL DECLARES PROPOSITION 105 UNCONSTITUTIONAL

February 27, 1991 TO: SEC RULES MEMBERS NO. 14-91 STATE SECURITIES MEMBERS NO. 9-91 CLOSED-END FUND MEMBERS NO. 12-91 UNIT INVESTMENT TRUST MEMBERS NO. 10-91 RE: CALIFORNIA COURT OF APPEAL DECLARES PROPOSITION 105 UNCONSTITUTIONAL _____ As we previously informed you, in 1988 voters in California approved Proposition 105 that contained disclosure requirements for diverse topics such as toxic household products, health insurance, and nursing homes. Of particular concern to investment companies was the disclosure requirement that all corporations issuing securities in California had to file a statement with the Secretary of State and include disclosure in their prospectuses as to whether or not they did business in South Africa. A lawsuit challenging the constitutionality of Proposition 105 was initiated by certain parties. Recently, the California Court of Appeal declared the measure unconstitutional since it violated the single subject rule contained in article II, section 8, subdivision (d) of the California Constitution. That subdivision provides that an initiative measure addressing more than one topic may not be submitted to voters or have any effect. * * * Attached is a copy of the Court of Appeal ruling. We will keep you advised of further developments. Patricia Louie Assistant General Counsel Attachment