



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CAMPAIGN & POLITICAL FINANCE

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February 25, 2015

Sheriff Michael E. Ashe
65 Hillside Terrace
Longmeadow, MA 01106

Re: Mutual Fund Investment; CPF 15-08

Dear Sheriff Ashe:

This office has completed its review of the campaign finance reports submitted by the Ashe Committee (Committee) for 2013 and 2014. This review focused on the Committee's investment of campaign funds in a mutual fund. Based upon our review, we have concluded that the investment did not comply with the campaign finance law's restrictions on permissible investments.

The campaign finance law allows political committees to invest campaign funds "in a savings account or money market to earn interest thereon but may not invest its funds or other things of value in any other manner." See M.G.L. c. 55, § 6. The statute is intended to ensure that campaign funds are subject to conservative management, to avoid the loss of principal. To implement section 6, the office issued a regulation, 970 CMR 2.07(5), to explain the scope of permitted investments. The regulation states that a political committee may invest funds only in the following:

- (a) savings accounts, which shall include any interest bearing account or deposit in a bank or savings institution;
- (b) money market instruments, or in any fund which invests primarily in money market instruments, if such instruments are short term and may include the following:
 1. United States Government Obligations: Debt Securities issued by the United States Treasury or by an agency or instrumentality of the United States Government;
 2. Certificates of Deposit: Negotiable certificates issued by a savings bank and commercial bank which earn specified rates of interest over given periods;
 3. Banker's Acceptances: Negotiable obligations of a bank to pay a draft which has been drawn on it;
 4. Commercial Paper: Short-term promissory notes of large corporations with high commercial paper ratings;



5. Repurchase Agreements: The purchase of securities with the condition that the securities will be sold back to the original owner at the end of a specified term for a negotiated rate of interest which yields a higher price, provided however, that such repurchase agreements are limited to member banks of the Federal Reserve System or primary dealers in United States Government Securities.

(c) All investments authorized under 970 CMR 2.07(5) shall be made in the exercise of the judgment and care consistent with the "prudent man" rule, so-called.

Investments in mutual funds are strictly prohibited regardless of whether an investment results in earnings or loss. Mutual funds provide an opportunity for investment in a diversified portfolio of stocks and bonds. They involve significantly more risk of loss of principal than savings accounts, money market investments or the limited options reflected in the regulation.

The Committee withdrew \$58,193.66 from a certificate of deposit on June 19, 2014 and invested that amount in a mutual fund. The mutual fund shares were then sold on January 7, 2015 for \$54,722.03. After the deduction of fees, the Committee received \$54,471.02 (a loss of \$3,722.64).

Although compliance with the limitations on investments in section 6 is an important part of the campaign finance law, we anticipate that our guidance will ensure future compliance by the Committee and that this matter may be closed at this time. Further action by this office would not be appropriate for several reasons. The Committee was unaware of this aspect of the statute and cooperated fully with OCPF's review. In addition, the Committee lost money on its investment. Finally, we recognize that the office has not addressed the concept of political committees investing in mutual funds in previous public resolution letters. We expect that this letter will serve to increase awareness and compliance among other committees.

In accordance with the opinion of the Supervisor of Public Records this letter is a public record. If you have any questions regarding this letter or any other campaign finance matter, please do not hesitate to contact this office.

Sincerely,



Michael J. Sullivan
Director

cc: James Tremble

MJS/gb