



California Corporate & Securities Law

Victims of Corporate Fraud Fund

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In the waning days of the 2001–2002 legislative session, then Assemblymember Kevin Shelley gutted and amended AB 55. As introduced, AB 55 would have amended the Elections Code. Instead, AB 55 became the vehicle for the enactment of the deeply flawed California Corporate Disclosure Act.

In the ensuing years, most practitioners and their clients have focused disclosure requirements of AB 55. However, AB 55 also established a fund for providing restitution to the “victims of corporate fraud”. Cal. Corp. Code § 1502.5. Recently, I decided to check with the [Secretary of State’s office](#) regarding the fund.

Until recently, the number of claims and the amounts awarded have been relatively modest. This is likely the result of the obscurity of fund as well as the conditions to awards. For example, A claimant must have a final court judgment, arbitration award, or criminal restitution order dated January 1, 2003 or thereafter and the judgment, arbitration award, or order must be based on corporate fraud, misrepresentation, or deceit made with intent to defraud. The Secretary of State has adopted regulations at 12 CCR § 22500 *et seq.* and has posted an application form on her [website](#).

Here is what the Secretary of State’s office reported regarding claims to and awards from the fund:

<i>Fiscal Year</i>	<i>Received during FY*</i>	<i>Considered for FY**</i>	<i>Claims Paid</i>	<i>Total Amount Awarded</i>
FY 04–05	10	8	1	\$0.00
FY 05–06	16	11	2	\$20,000.00
FY 06–07	11	12	1	\$20,496.60

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FY 07-08	13	17	1	\$20,000.00
FY 08-09	16	14	1	\$12,000.00
FY 09-10	551	31	0	\$20,000.00***
FY 10-11	6	530	N/A	N/A
* Claims physically received between July and June				
** Claims received between April through March (Claims received after March 31st are considered in the next fiscal year)				

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