



# California Corporate & Securities Law

## **Commissioner DuFauchard To Leave At Year's End**

By Keith Paul Bishop on December 14, 2011

### **A Job Well Done**

Yesterday, I received word that Commissioner Preston DuFauchard plans to leave at the end of this year. Former Governor Arnold Schwarzenegger appointed Preston in June 2006 and he continued to serve under Governor Jerry Brown. Notably, Preston's service began before the collapse of the economy and the ensuing turmoil in the mortgage lending industry. Many securities lawyers may not realize that the Commissioner has significant regulatory responsibility with respect to California's lending laws. The Department of Corporations administers and enforces both the California Finance Lenders Law (Financial Code § 22000 *et seq.*) and that California Residential Mortgage Lending Act (Financial Code § 50000 *et seq.*). I'm sure that Preston's background in the financial services industry served him well as he steered the Department through some tough economic times. I'm sure that the securities and the financial services bars join me in congratulating Preston for a job well done and in thanking him for his service to the state.

### **À la Recherche du Temps Perdu**

I look back on my own service as Commissioner with a great deal of fondness. The Department of Corporations is now nearly a century old and counts a number of well-known Commissioners. [Here](#) is a roll of past commissioners. Each has his or her own story. For example, Governor [William Stephens](#) appointed Edwin M. ("Mike") Daugherty to the Commissioner's post in 1922. As Commissioner, Daugherty battled C.C. Julian and his eponymous oil company.

Jules Tygiel chronicled the epic struggle between the Commissioner and the promoter in *The Great Los Angeles Swindle* (1994). Here's Tygiel's description of the Department in Daugherty's day:

The department Daugherty inherited represented one of the great experiments of the Progressive Era. Since the turn of the century, public officials and businessmen had sought a means to eliminate fraudulent promoters who promised their clients everything including the "blue sky" above. Progressive politicians called for a regulatory agency to protect small investors. . . . California adopted the Investment Companies Act in 1913, one of thirteen states to enact this type of legislation that year.

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After serving for four years, Commissioner Daugherty took a break for a few years. In September 1931, Governor James Rolph reappointed Daugherty who then served for another 23 years – until 1954. In the meantime, U.S. District Court Judge Paul J. McCormick placed Julian Petroleum in receivership and appointed California's first Corporations Commissioner as a co-receiver for the company. See *Hervey v. Commissioner*, 25 B.T.A. 1282, 1287 (1932).



Governor Stephens

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