



NEWS RELEASE

CALIFORNIA SECRETARY OF STATE **KEVIN SHELLEY**

KS04:052

FOR IMMEDIATE RELEASE
Tuesday, August 03, 2004

Contact: Lauren Hersh
Carol Dahmen
916-653-6575

Secretary of State Kevin Shelley Announces New Fund to Compensate Victims of Corporate Fraud

SACRAMENTO, CA --- Secretary of State Kevin Shelley is announcing the implementation of the Victims of Corporate Fraud Compensation Fund (VCFCF). The VCFCF is a result of landmark legislation authored by then-Assembly Majority Leader Shelley in 2002, the California Corporate Disclosure Act (AB 55, Ch. 1015, Statutes of 2002). That law, in part, established a fund to provide restitution to victims of corporate fraud. The fund for the new program is created through a disclosure fee for all annual corporate filings.

“Given the ever-increasing number of news stories about fraud, bankruptcies, and misdealings among corporations and corporate executives, I felt it was imperative to protect consumers by providing a new avenue of recovery in the event of corporate fraud,” said Shelley. “The Fund is designed to be a last resort for consumers to recover lost assets in the event of corporate fraud.”

In addition to protecting consumers, “the Fund also benefits the business community in California,” continued Shelley. “Holding corporations accountable for legitimate fraud judgments increases public confidence and provides assurance to consumers who invest their hard earned dollars in these companies. Increased public confidence is essential to maintain and stimulate California’s economy.”

While there are minimum requirements before applying for restitution from the VCFCF, the limit on any recovery from the VCFCF is \$20,000 per claimant.

Individuals who have not been able to collect on a corporate fraud judgment are encouraged to submit an application to seek recovery from the VCFCF. Detailed program information and application materials can be found on the Secretary of State’s website at: www.ss.ca.gov/vcfcf. In addition, an ombudsman is available to provide technical assistance to help victims through the application process.

Another major component of the California Corporate Disclosure Act, also referred to as “The Investor’s Bill of Rights,” is the requirement that all publicly traded companies doing business in California increase the amount and frequency of information they report to the Secretary of State.

-more -

That law requires those corporations to annually report:

- The name of the company's independent auditor;
- The names of the directors and the five most highly compensated officers of the company, their annual compensation and whether or not they have filed bankruptcy or been convicted of fraud during the previous 10 years;
- Any loans made to the directors by the company at a preferential rate; and
- Whether the corporation has filed bankruptcy, violated any federal security law, or has been penalized over \$10,000 for violating any California security or banking law during the past 10 years.

Publicly traded companies report this information to the Secretary of State's Office annually. A listing of all the companies that have filed a current Corporate Disclosure Statement is on the Secretary of State's website (www.ss.ca.gov) in the Business Portal. The list is updated on a daily basis. Copies of the Corporate Disclosure Statement can be requested either by mail or in person in our Sacramento office. Fees and instructions for requesting copies of statements are included.

The final piece of Secretary Shelley's disclosure law will be placing the disclosed information online. The public will be able to conduct online searches by entity name, individual name, or other criteria, and obtain the disclosed information. The information database is scheduled to be available no later than January 2005.