



LAW OFFICES OF MIDDLETON, YOUNG & MINNEY, LLP

STATE PASSES STRONGER LAWS TO PREVENT FRAUDULENT CORPORATE SOLICITATIONS

For many years, our office has been warning charter schools about an ongoing scam directed at charter schools operating as nonprofit public benefit corporations. The nonprofit charter schools receive an official-looking notice instructing them to complete a “required” compliance form or filing. The notice instructs that upon paying a fee, the “Committee of Corporate Compliance,” “Compliance Center” or other official-sounding entity will assist the corporation in meeting its filing requirements. The people behind these scams charge several hundred dollars to file forms that would only have cost a small fee if filed directly with the state.

However, there are new laws to prevent people from sending misleading solicitations. To protect Californians, AB 75 requires new disclaimers to be added to third-party mailings. The new law:

- Requires the following disclaimer to be included in large, bold lettering, on the front and back of every page:

THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY ANY GOVERNMENTAL AGENCY, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE GOVERNMENT.

- Forbids the soliciting companies from using a name that sounds like it is from a governmental entity, like the Secretary of State’s Business Programs Division.
- Increases the penalty from \$1,000 to \$2,500 per violation.

If your nonprofit receives a scam solicitation letter, you are encouraged to mail a written complaint along with the entire solicitation (including the letter, the outer and return envelopes, and all related documents) to the California Attorney General's office, Public Inquiry Unit, P.O. Box 944255, Sacramento, California 94244-2550. A complaint form can also be completed online and printed to mail, and is available on the California Attorney General's website at www.ag.ca.gov/consumers/general.php.

If you have any questions regarding this update, or any questions regarding your nonprofit’s annual filing obligations or other corporate issues, please contact Kimberly Rodriguez at (krodriguez@mymlaw.com) or Andrea Sexton at (asexton@mymlaw.com) at the Law Offices of Middleton, Young & Minney, LLP.

Middleton, Young & Minney, LLP Legal Alerts provide general information about events of current legal importance; they do not constitute legal advice. As the information contained here is necessarily general, its application to a particular set of facts and circumstances may vary. We do not recommend that you act on this information without consulting legal counsel.

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