



California Corporate & Securities Law

Fairness Hearings – Shell Companies Need Not Apply

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In recent weeks, a number of stories have appeared in the press regarding “reverse mergers” involving shell corporations and Chinese companies. For example, Joshua Gallu wrote this [story](#) for Bloomberg last December.

After the Securities and Exchange Commission [adopted](#) rule amendments in 2005 governing the use of Forms S-8, 8-K and 20-F by shell companies, the California Commissioner of Corporations issued [Release 117-C](#) concluding:

In the absence of other countervailing benefits to the private operating company, the Commissioner has difficulty in finding proposed issuances as a result of “reverse merger” and “back door registration” transactions by shell companies fair under Corporations Code Section 25140 and CCR Rule 260.140.61 and will normally exercise discretion by declining to hold “fairness” hearings with respect to these applications.

For more on California’s fairness hearing process, watch my [videoblog](#).

Please contact [Keith Paul Bishop](#) at Allen Matkins for more information kbishop@allenmatkins.com

<http://www.calcorporatelaw.com/>