

August 6, 2007

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INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE

VIA MESSENGER

Office of the Attorney General  
1300 "I" Street  
Sacramento, CA 95814

Attention: Patricia Galvan

Re: *The Corporate Accountability Act*

Dear Ms. Galvan:

Pursuant to Elections Code section 9002, we request that the Attorney General prepare a title and summary of a measure entitled "The Corporate Accountability Act." The text of the measure, a check for \$200.00, the address at which we are registered to vote and the signed statement certifying that we will not willfully allow initiative signatures to be used for purposes other than qualification of the measure are enclosed.

Please direct all correspondence and inquiries regarding this measure to:

James C. Harrison  
Margaret R. Prinzing  
Remcho, Johansen & Purcell, LLP  
201 Dolores Avenue  
San Leandro, CA 94577  
Phone: (510) 346-6200  
Fax: (510) 346-6201

Sincerely,

< James C. Harrison

< Margaret R. Prinzing

JCH:NL  
Enclosures  
(00038797)

## **THE CORPORATE ACCOUNTABILITY ACT**

### **SECTION ONE. FINDINGS AND DECLARATIONS.**

The People of the State of California find and declare the following:

(a) Millions of Californians work hard, pay their taxes, and save their money in order to provide for their children's education, financial well-being and their economic security upon retirement.

(b) Many Californians invest a portion of their savings in the stock of corporations that are publicly traded or sold and other for-profit business entities. They rely upon the people who run those corporations to safeguard their interests as shareholders, as the law requires them to do.

(c) Corporate fraud like that which led to the collapse of Enron and the bankruptcy of WorldCom results in devastating harm to the workers and investors who entrusted some portion of their financial security to those companies.

(d) Existing laws are not sufficient to hold corporate wrongdoers accountable, to deter corporate fraud, and to compensate the public for the losses sustained by Californians when ruined investors are forced to turn to the state for assistance.

### **SECTION TWO. PURPOSE AND INTENT.**

In enacting this Act, it is the purpose and intent of the People of the State of California to:

(1) Deter deceptive and fraudulent corporate conduct;

(2) Compensate the public for the harm inflicted on all Californians as a consequence of corporate fraud; and

(3) Compensate those victims of corporate fraud who lose all or part of their life savings.

### **SECTION THREE. CIVIL PENALTY.**

Section 25500.5 is added to the Corporations Code to read:

25500.5. (a) In addition to the penalties provided for under any other provision of law:

(1) any issuer who violates Sections 25400, 25401 or 25402 shall be liable for the amount of any financial benefit which may have been acquired by means of the sale of securities during each and every quarter of that issuer's fiscal year during which such violation(s) occurred; and

(2) any principal executive officer, director or controlling person who willfully violates Sections 25400, 25401 or 25402 shall be liable for the amount of compensation paid to such officer, director or controlling person during each and every quarter of the fiscal year of the entity employing or retaining such officer, director or controlling person during which such violation(s) occurred.

(b) The amount of any financial benefit shall be paid, less fees and expenses, to the Victims of Corporate Fraud Compensation Fund, to provide restitution to the victims of corporate fraud as provided for in Section 1502.5 and its implementing regulations.

(c) An action for the recovery of such amounts may be brought in a court of competent jurisdiction, by or on behalf of any person or entity, including any government entity, whose investments, pension funds, retirement funds or savings have suffered a loss as a result of that violation.

(d) For purposes of this section, "compensation" shall include salary, bonuses, the value of any benefits, the value of any shares issued, options for shares granted, and any similar equity-based compensation granted.

#### **SECTION FOUR. SEVERABILITY.**

If any provision of this act, or part of this act, is for any reason held to be invalid, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions of this act are severable.

#### **SECTION FIVE. CONFLICTING INITIATIVES.**

In the event that this measure and another initiative measure or measures concerning the assessment of civil penalties for corporate wrongdoing shall appear on the same statewide election ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this measure. In the event that this measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and all provisions of the other measure or measures shall be null and void.