

SENATE BILL No. 1415

September 17, 2002, Introduced by Senator PETERS and referred to the Committee on Judiciary.

A bill to amend 1931 PA 328, entitled
"The Michigan penal code,"
(MCL 750.1 to 750.568) by adding section 411t.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 411T. (1) A DIRECTOR OR OFFICER OF A PUBLICLY TRADED
2 CORPORATION SHALL NOT KNOWINGLY ALLOW GENERALLY ACCEPTED ACCOUNT-
3 ING PRINCIPLES TO BE INTENTIONALLY OR RECKLESSLY VIOLATED TO THE
4 DETRIMENT OF THE STOCKHOLDERS OF THAT CORPORATION. A PERSON WHO
5 VIOLATES THIS SUBSECTION IS GUILTY OF A MISDEMEANOR PUNISHABLE BY
6 IMPRISONMENT FOR NOT MORE THAN 1 YEAR OR A FINE OF NOT MORE THAN
7 \$500.00, OR BOTH.

8 (2) A DIRECTOR OR OFFICER OF A PUBLICLY TRADED CORPORATION
9 SHALL NOT KNOWINGLY PRESENT OR OFFER, OR PERMIT TO BE PRESENTED
10 OR OFFERED, A BOOK, RECORD, STATEMENT, OR ANY OTHER PRODUCT WHICH
11 HE OR SHE HAS KNOWLEDGE WAS PREPARED IN, OR RESULTED FROM, A

1 VIOLATION OF SUBSECTION (1) TO ANY PERSON OR ENTITY HAVING A
2 FINANCIAL INTEREST IN THAT CORPORATION. A PERSON WHO VIOLATES
3 THIS SUBSECTION IS GUILTY OF A FELONY PUNISHABLE BY IMPRISONMENT
4 FOR NOT MORE THAN 4 YEARS OR A FINE OF NOT MORE THAN \$2,000.00,
5 OR BOTH.

6 (3) A DIRECTOR OR OFFICER OF A PUBLICLY TRADED CORPORATION
7 IS GUILTY OF A FELONY PUNISHABLE BY IMPRISONMENT FOR NOT MORE
8 THAN 7 YEARS OR A FINE OF NOT MORE THAN \$5,000.00, OR BOTH, IF
9 EITHER OF THE FOLLOWING APPLIES:

10 (A) THE DIRECTOR OR OFFICER KNOWINGLY ACTS TO INDUCE,
11 RESTRICT, OR IN ANY WAY INFLUENCE THE SALE OF ANY SHARE OF STOCK
12 OF THE CORPORATION, OR ANY AGREEMENT PERTAINING TO THAT SALE,
13 UNLESS HE OR SHE IS AN ACTUAL OWNER OF SUCH SHARE, WHILE HE OR
14 SHE HAS KNOWLEDGE THAT THERE EXISTS A VIOLATION OF SUBSECTION (1)
15 OR (2).

16 (B) AT LEAST 5% OF ANY CLASS OF THE OUTSTANDING SHARES OF
17 THE CORPORATION IS TRADED WHILE THE DIRECTOR OR OFFICER HAS
18 KNOWLEDGE THAT THERE EXISTS A VIOLATION OF SUBSECTION (1) OR
19 (2).

20 (4) A DIRECTOR OR OFFICER OF A PUBLICLY TRADED CORPORATION
21 IS GUILTY OF A FELONY PUNISHABLE BY IMPRISONMENT FOR NOT MORE
22 THAN 25 YEARS OR A FINE OF NOT MORE THAN \$10,000.00, OR BOTH, IF
23 EITHER OF THE FOLLOWING APPLIES:

24 (A) THE DIRECTOR OR OFFICER SELLS, OR AGREES TO SELL, OR IS
25 DIRECTLY OR INDIRECTLY INTERESTED IN THE SALE OF ANY SHARE OF
26 STOCK OF THE CORPORATION, OR IN ANY AGREEMENT PERTAINING TO THAT

1 SALE, WHILE HE OR SHE HAS KNOWLEDGE THAT THERE EXISTS A VIOLATION
2 OF SUBSECTION (1) OR (2).

3 (B) AT LEAST 10% OF ANY CLASS OF THE OUTSTANDING SHARES OF
4 THE CORPORATION IS TRADED WHILE THE DIRECTOR OR OFFICER HAS
5 KNOWLEDGE THAT THERE EXISTS A VIOLATION OF SUBSECTION (1) OR
6 (2).

7 (5) AS USED IN THIS SECTION, "PUBLICLY TRADED CORPORATION"
8 MEANS A CORPORATION WHOSE STOCK IS PUBLICLY TRADED ON A MAJOR
9 STOCK EXCHANGE.