

HOUSE BILL No. 6078

May 18, 2006, Introduced by Reps. Spade, Polidori, Ball, Shaffer, Mayes, Espinoza, Leland, Bennett, Meisner, Miller, Vagnozzi, Anderson, Donigan, Gonzales, Clack, Bieda, Wojno, Accavitti, Condino, Byrum, Gillard, Alma Smith, Byrnes, Hopgood, Angerer, Hunter, Sheltroun, Kolb, Gleason, Lipsey, Green and Cheeks 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 411u.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 411U. (1) A DIRECTOR OR OFFICER OF A PUBLICLY TRADED
2 CORPORATION SHALL NOT KNOWINGLY ALLOW GENERALLY ACCEPTED ACCOUNTING
3 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 OR

1 OFFERED, A BOOK, RECORD, STATEMENT, OR ANY OTHER PRODUCT THAT HE OR
2 SHE HAS KNOWLEDGE WAS PREPARED IN, OR RESULTED FROM, A VIOLATION OF
3 SUBSECTION (1) TO ANY PERSON OR ENTITY HAVING A FINANCIAL INTEREST
4 IN THAT CORPORATION. A PERSON WHO VIOLATES THIS SUBSECTION IS
5 GUILTY OF A FELONY PUNISHABLE BY IMPRISONMENT FOR NOT MORE THAN 4
6 YEARS OR A FINE OF NOT MORE THAN \$2,000.00, OR BOTH.

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

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

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

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

23 (A) THE DIRECTOR OR OFFICER SELLS, OR AGREES TO SELL, OR IS
24 DIRECTLY OR INDIRECTLY INTERESTED IN THE SALE OF ANY SHARE OF STOCK
25 OF THE CORPORATION, OR IN ANY AGREEMENT PERTAINING TO THAT SALE,
26 WHILE HE OR SHE HAS KNOWLEDGE THAT THERE EXISTS A VIOLATION OF
27 SUBSECTION (1) OR (2).

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

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