

September 18, 2007

Hon. Edmund G. Brown Jr.
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Toni Melton
Initiative Secretary

Dear Attorney General Brown:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative entitled "The Corporate Accountability Act" (File No. 07-0046).

Major Provisions

This measure would establish a new civil penalty for corporate fraud related to the purchase and sale of securities. Specifically, a corporation could be held liable for any financial benefit it gains as a result of securities fraud. Further, a corporate executive who willfully engages in securities fraud could be held liable for the compensation he/she receives during the period in which the violation(s) occurs. Any penalties ordered by the court pursuant to this measure would be deposited into an existing state-administered special fund to pay restitution to victims of corporate fraud.

Fiscal Effect

This measure would probably result in no state administrative costs. Due to the establishment of the new civil penalty, this measure could generate some unknown level of additional revenues. Any such revenues would then be used to make restitution payments to the victims of corporate fraud.

Summary

The measure would result in the following fiscal effect:

- Probably no state administrative cost. Potential unknown additional penalty revenue for corporate fraud restitution payments.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Michael C. Genest
Director of Finance