

ASSEMBLY BILL

No. 1255

Introduced by Assembly Member Pan

February 22, 2013

An act to amend Section 25502.5 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1255, as introduced, Pan. Corporations.

The Corporate Securities Law of 1968 provides for the regulation of the issuance of corporate securities and includes a civil remedy for specified issuers of securities for a specified violation of its provisions.

This bill would make technical, nonsubstantive changes to this provision.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 25502.5 of the Corporations Code is
2 amended to read:
3 25502.5. (a) ~~Any~~ A person, other than the issuer, who violates
4 Section 25402 shall be liable to the issuer of the security purchased
5 or sold in violation of Section 25402 for damages in an amount
6 up to three times the difference between the price at which the
7 security was purchased or sold and the market value which the
8 security would have had at the time of the purchase or sale if the
9 information known to the defendant had been publicly disseminated
10 prior to that time and a reasonable time had elapsed for the market

1 to absorb the information and shall be liable to the issuer of the
2 security or to a person who institutes an action under this section
3 in the right of the issuer of the security for reasonable costs and
4 attorney's fees.

5 (b) The amounts recoverable under this section by the issuer
6 shall be reduced by any amount paid by the defendant in a
7 proceeding brought by the Securities and Exchange Commission
8 with respect to the same transaction or transactions under the
9 federal Insider Trading Sanctions Act of 1984 (15 U.S.C. Secs.
10 78a, 78c, 78o, 78t, 78u, and 78ff) or any other ~~act~~ *act*, regardless
11 of whether the amount was paid pursuant to a judgment or
12 settlement or paid before or after the filing of an action by the
13 plaintiff against the defendant. If a proceeding has been
14 commenced by the Securities and Exchange ~~Commission~~
15 *Commission*, but has not been finally resolved, the court shall delay
16 entering a judgment for the plaintiff under this section until that
17 proceeding is resolved.

18 (c) If any shareholder of an issuer alleges to the board that there
19 has been a violation of this section, the board shall ~~be required to~~
20 consider the allegation in good faith, and if the allegation involves
21 misconduct by any director, that director shall not be entitled to
22 vote on any matter involving the allegation. However, that director
23 may be counted in determining the presence of a quorum at a
24 meeting of the board or a committee of the board.

25 (d) This section shall only apply to issuers who have total assets
26 in excess of one million dollars (\$1,000,000) and have a class of
27 equity security held of record by 500 or more persons.