

AMENDED IN ASSEMBLY MAY 20, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

Assembly Joint Resolution

No. 79

Introduced by Assembly Member Chu

(Coauthors: Assembly Members Aghazarian, Berg, Bermudez, Bogh, Calderon, Canciamilla, Chan, Chavez, Cohn, Corbett, Correa, Daucher, Diaz, Dutra, Dutton, Dymally, Firebaugh, Frommer, Garcia, Goldberg, Hancock, Harman, Jerome Horton, Shirley Horton, Houston, Jackson, Kehoe, Koretz, Laird, Leno, Leslie, Levine, Lieber, Liu, Longville, Lowenthal, Maldonado, Matthews, Montanez, Mullin, Nakano, Nation, Negrete McLeod, Nunez, Oropeza, Parra, Pavley, Plescia, Reyes, Ridley-Thomas, Salinas, Samuelian, Simitian, Spitzer, Steinberg, Vargas, Wesson, Wiggins, Wolk, Wyland, and Yee)

April 12, 2004

Assembly Joint Resolution No. 79—Relative to corporate elections.

LEGISLATIVE COUNSEL'S DIGEST

AJR 79, as amended, Chu. Corporate elections.

This measure would urge the United States Securities and Exchange Commission to implement its proposed shareholder participation rules in order to answer the call for badly needed reform, to improve corporate accountability, to restore investor confidence, and to provide shareholders with increased access to proxy to promote greater board oversight of corporate operations and responsiveness to shareholder concerns.

Fiscal committee: no.

1 WHEREAS, The California Legislature has noted with growing
2 concern the accounting scandals of major corporations including
3 Enron, WorldCom, and HealthSouth, and their sustained negative
4 effect on institutional and individual investors and on California's
5 economy; and

6 WHEREAS, The cumulative effect of these instances of fraud
7 and wrongdoing has been to inflict avoidable investor losses
8 totaling in the billions of dollars and to significantly damage
9 investor confidence in California and elsewhere; and

10 WHEREAS, These events have pointed to an urgent need for
11 greater corporate accountability, and specifically for corporate
12 boards to engage in greater oversight over corporate operations,
13 thereby fulfilling their traditional role as independent fiduciaries
14 rather than passive arms of management; and

15 WHEREAS, One clear vehicle to achieving greater
16 accountability on the part of corporate boards is to increase
17 shareholder access to proxy, defined as the ability of shareholders
18 to nominate a candidate or slate of candidates for election to the
19 board at annual company meetings held for that purpose; and

20 WHEREAS, Federal law controls many aspects of corporate
21 election procedures, and under current federal law and United
22 States Securities and Exchange Commission rules, shareholder
23 access to proxy is not required; and

24 WHEREAS, The United States Securities and Exchange
25 Commission has been working for several months on proposed
26 reforms to address this dual crisis of corporate accountability and
27 investor confidence, addressing it in part by devising a means of
28 providing within the framework of the rules of the United States
29 Securities and Exchange Commission a mechanism for greater
30 shareholder access to proxy and has proposed a rule to improve the
31 ability of shareholders to participate in the nomination and
32 election of directors of corporate boards; now, therefore, be it

33 *Resolved by the Assembly and Senate of the State of California,*
34 *jointly,* That the Legislature hereby urges the United States
35 Securities and Exchange Commission to implement the proposed
36 shareholder participation rules at the earliest possible date in order
37 to answer the call for badly needed reform, to improve corporate
38 accountability, to restore investor confidence, and to provide
39 shareholders with increased access to proxy to promote greater



1 board oversight of corporate operations and responsiveness to
2 shareholder concerns; and be it further
3 *Resolved*, That the Chief Clerk of the Assembly transmit copies
4 of this resolution to the President and Vice President of the United
5 States, to the Speaker of the House of Representatives, to the
6 Majority Leader of the Senate, and to each Senator and
7 Representative from California in the Congress of the United
8 States.

O

