

Assembly Joint Resolution No. 79

RESOLUTION CHAPTER 92

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

[Filed with Secretary of State June 10, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

AJR 79, 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.

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

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

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

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

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

WHEREAS, The United States Securities and Exchange Commission has been working for several months on proposed reforms to address this dual crisis of corporate accountability and investor confidence,

addressing it in part by devising a means of providing within the framework of the rules of the United States Securities and Exchange Commission a mechanism for greater shareholder access to proxy and has proposed a rule to improve the ability of shareholders to participate in the nomination and election of directors of corporate boards; now, therefore, be it

Resolved by the Assembly and Senate of the State of California, jointly, That the Legislature hereby urges the United States Securities and Exchange Commission to implement the proposed shareholder participation rules at the earliest possible date 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; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, and to each Senator and Representative from California in the Congress of the United States.

