

**ASSEMBLY BILL**

**No. 2944**

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**Introduced by Assembly Member Leno**

February 22, 2008

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An act to amend Section 309 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 2944, as introduced, Leno. Corporations: director's duties.

Under existing law, a director of a corporation is required to perform the duties of a director in good faith and in a manner that the director believes to be in the best interests of the corporation and its shareholders, and with the care of an ordinarily prudent person.

This bill would specify that, in considering the best interests of the corporation, the director may consider the interests of the corporation's employees, the impact on the community, and the environment.

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 309 of the Corporations Code is amended
- 2 to read:
- 3 309. (a) A director shall perform the duties of a director,
- 4 including duties as a member of any committee of the board upon
- 5 which the director may serve, in good faith, in a manner ~~such that~~
- 6 *the* director believes to be in the best interests of the corporation
- 7 and its shareholders and with ~~such~~ *the* care, including reasonable

1 inquiry, as an ordinarily prudent person in a like position would  
2 use under similar circumstances.

3 (b) In performing the duties of a director, a director shall be  
4 entitled to rely on information, opinions, reports, or statements,  
5 including financial statements and other financial data, in each  
6 case prepared or presented by any of the following:

7 ~~—(1)~~

8 (1) One or more officers or employees of the corporation whom  
9 the director believes to be reliable and competent in the matters  
10 presented.

11 ~~—(2)~~

12 (2) Counsel, independent accountants, or other persons as to  
13 matters ~~which~~ *that* the director believes to be within ~~such~~ *the*  
14 person’s professional or expert competence.

15 ~~—(3)~~

16 (3) A committee of the board upon which the director does not  
17 serve, as to matters within its designated authority, ~~which~~  
18 ~~committee~~ *where* the director believes *the committee* to merit  
19 confidence, so long as, in any such case, the director acts in good  
20 faith, after reasonable inquiry when the need therefor is indicated  
21 by the circumstances and without knowledge that would cause  
22 ~~such~~ *the* reliance to be unwarranted.

23 (c) A person who performs the duties of a director in accordance  
24 with subdivisions (a) and (b) shall have no liability based upon  
25 any alleged failure to discharge the person’s obligations as a  
26 director. In addition, the liability of a director for monetary  
27 damages may be eliminated or limited in a corporation’s articles  
28 *of incorporation* to the extent provided in paragraph (10) of  
29 subdivision (a) of Section 204.

30 (d) *In performing the duties of a director in accordance with*  
31 *subdivisions (a) and (b), a director may, in considering the best*  
32 *interests of the corporation, consider any or all of the following:*

33 (1) *The interest of the corporation’s employees.*

34 (2) *The impact on the community.*

35 (3) *The environment.*