

**ASSEMBLY BILL**

**No. 1255**

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**Introduced by Assembly Member V. Manuel Pérez  
(Coauthor: Assembly Member Swanson)**

February 18, 2011

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An act to amend Section 312 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1255, as introduced, V. Manuel Pérez. Corporations: boards of directors.

Existing law provides for the formation and operation of a corporation and prescribes the powers and duties of a corporation's board of directors in the direction and management of the corporation. Existing law also requires the Secretary of State to develop a registry of distinguished women and minorities who are available to serve on corporate boards of directors, as specified.

This bill would require the secretary, to the extent that registries are known and available, to provide corporations with information regarding the registries of potentially qualified candidates for corporate directorships, and would authorize the secretary to collaborate with specified offices and entities in connection with these duties. The bill would also make findings and declarations of the Legislature and state the intent of the Legislature regarding future membership on corporate boards of directors.

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

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

1 SECTION 1. The Legislature finds and declares the following:

2 (a) As unprecedented numbers of baby boomers prepare to retire  
3 from the market place, many corporate boards will be seeking new  
4 members to help shape their businesses for the future. This  
5 demographic trend reflects not only a generational shift in the  
6 United States, but it also marks a shift in the race and ethnicity of  
7 the nation's working age population.

8 (b) The California Budget Project estimates that by 2020, nearly  
9 60 percent of the working age population in California will be  
10 comprised of Latinos, African Americans, and Asian Americans.  
11 Similarly, the composition of the United States consumer base is  
12 changing. Minority purchasing power in the United States is  
13 expected to triple from \$1.3 trillion in 2000 to over \$4 trillion by  
14 2045. This represents over a 70-percent growth of total United  
15 States purchasing power during the same time period.

16 (c) While companies that want to remain competitive are  
17 designing new and adapting existing products and services to meet  
18 this expanding market, corporate leadership is not keeping pace  
19 with the changing demographics. There remains a significant gap  
20 in the ethnic and gender diversity of corporate boards. Research  
21 shows that while women comprise slightly more than half the  
22 United States population, they hold only 17 percent of the positions  
23 on corporate boards of Fortune 100 companies. Research also  
24 suggests that companies with more diverse boards have higher  
25 performance and other financial metrics, including return on equity,  
26 return on sales, and return on investment.

27 (d) One of the initial barriers to broadening the demographic  
28 diversity of corporate board membership is that slates of candidates  
29 presented to corporate boards often have a limited number, if any,  
30 of female candidates or candidates of color. With corporate boards  
31 most interested in choosing from among the very best prospective  
32 board members, increasing diversity among the pool of qualified  
33 candidates is essential.

34 (e) Increasing awareness of corporate board candidate directories  
35 assists corporate boards and their consultants to more  
36 cost-effectively consider a broader range of individuals when  
37 selecting members of the board of directors. The state would also  
38 benefit from having stronger corporate boards of directors and the

1 resulting better performing companies through higher tax revenues  
2 as a result of higher corporate revenues and greater job retention  
3 and creation.

4 (f) The following are among the public purposes served by the  
5 distribution and promotion of these directories: increasing the  
6 number of jobs created and retained in the state; increasing income  
7 tax revenues collected as a result of increased job creation and  
8 retention; increasing tax revenues collected by the state as a result  
9 of higher corporate revenues; increasing sales tax revenues  
10 collected as a result of increased sales of products produced in the  
11 state.

12 SEC. 2. Section 312 of the Corporations Code is amended to  
13 read:

14 312. (a) A corporation shall have a chairman of the board or  
15 a president or both, a secretary, a chief financial officer and such  
16 other officers with such titles and duties as shall be stated in the  
17 bylaws or determined by the board and as may be necessary to  
18 enable it to sign instruments and share certificates. The president,  
19 or if there is no president the chairman of the board, is the general  
20 manager and chief executive officer of the corporation, unless  
21 otherwise provided in the articles or bylaws. Any number of offices  
22 may be held by the same person unless the articles or bylaws  
23 provide otherwise.

24 (b) Except as otherwise provided by the articles or bylaws,  
25 officers shall be chosen by the board and serve at the pleasure of  
26 the board, subject to the rights, if any, of an officer under any  
27 contract of employment. Any officer may resign at any time upon  
28 written notice to the corporation without prejudice to the rights, if  
29 any, of the corporation under any contract to which the officer is  
30 a party.

31 (c) (1) *The Secretary of State shall, to the extent that registries*  
32 *are known and available, provide corporations with information*  
33 *on registries of potentially qualified candidates for corporate*  
34 *boards. Corporations are not required to choose corporate board*  
35 *candidates from these lists. These materials are for informational*  
36 *purposes only.*

37 (2) *In undertaking this activity, the Secretary of State may*  
38 *collaborate with the Public Employees' Retirement System, the*  
39 *State Teachers' Retirement System, the Council of Institutional*  
40 *Investors and other corporate governance associations, the*

1 *Commission on the Status of Women and other women-focused*  
2 *organizations, minority organizations, business and professional*  
3 *organizations, and any other individual or entity the secretary*  
4 *deems appropriate, for any of the following purposes:*  
5 *(A) Promoting corporate use of the registry.*  
6 *(B) Educating interested parties on the purpose and most*  
7 *effective use of these registries.*  
8 *(3) The secretary may also prepare and distribute publications*  
9 *designed to promote informed use of corporate board candidate*  
10 *registries.*