

Assembly Joint Resolution

No. 79

Introduced by Assembly Member Chu

April 12, 2004

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

LEGISLATIVE COUNSEL'S DIGEST

AJR 79, as introduced, 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,

1 thereby fulfilling their traditional role as independent fiduciaries
2 rather than passive arms of management; and

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

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

12 WHEREAS, The United States Securities and Exchange
13 Commission has been working for several months on proposed
14 reforms to address this dual crisis of corporate accountability and
15 investor confidence, addressing it in part by devising a means of
16 providing within the framework of the rules of the United States
17 Securities and Exchange Commission a mechanism for greater
18 shareholder access to proxy and has proposed a rule to improve the
19 ability of shareholders to participate in the nomination and
20 election of directors of corporate boards; now therefore, be it

21 *Resolved by the Assembly and Senate of the State of California,*
22 *jointly,* That the Legislature hereby urges the United States
23 Securities and Exchange Commission to implement the proposed
24 shareholder participation rules at the earliest possible date in order
25 to answer the call for badly needed reform, to improve corporate
26 accountability, to restore investor confidence, and to provide
27 shareholders with increased access to proxy to promote greater
28 board oversight of corporate operations and responsiveness to
29 shareholder concerns; and be it further

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

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