

Date of Hearing: April 2, 2018

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Monique Limón, Chair

AB 1781 (Steinorth) – As Amended March 8, 2018

SUBJECT: Corporations: annual statement

SUMMARY: Requires the Secretary of State (SOS) to exempt residence addresses and personal signatures contained within online corporate annual statements, as specified, from being available and open to the public for inspection.

EXISTING LAW: Requires every corporation to file with the SOS within 90 days of filing its original articles, and annually thereafter, a form containing the following:

- 1) The name of the corporation and the SOS's file number.
- 2) The names and complete business or residence addresses of its incumbent directors.
- 3) The number of vacancies on the board, if any.
- 4) The names and complete business or residence addresses of its chief executive officer, secretary, and chief financial officer.
- 5) The street address of its principal executive office.
- 6) The mailing address of the corporation, if different from the street address of its principal executive office.
- 7) If the address of its principal executive office is not in this state, the street address of its principal business office in this state, if any.
- 8) If the corporation chooses to receive renewal notices and any other notifications from the SOS by electronic mail instead of by United States mail, the corporation shall include a valid electronic mail address for the corporation or for the corporation's designee to receive those notices.
- 9) A statement of the general type of business that constitutes the principal business activity of the corporation (for example, manufacturer of aircraft; wholesale liquor distributor; or retail department store).

This information shall be made available and open to the public for inspection (Corporations Code Section 1502).

Portions of the **California Public Records Act** provide that:

- (a) Public records are open to inspection at all times during the office hours of the state or local agency.
- (f) In addition to maintaining public records for public inspection during the office hours of the public agency, a public agency may comply with subdivision (a) by posting any public record on its Internet Web site and, in response to a request for a public record posted on the Internet Web site, directing a member of the public to the location on the Internet Web site where the public record is posted... (Government Code Section 6253).

FISCAL EFFECT: Unknown

COMMENTS: Identity theft and the illegal hacking of data containing personal consumer information is a problem that continues to challenge both the private and public sectors as well. As noted in the above existing law section, the SOS requires information on the names and addresses of corporate directors and officers on the annual corporate statement. This information is public and as such must be made available to the public for inspection. Information which contains personal signatures and home addresses of corporate officers can be used in illegal ways including identity theft. According to the author:

“Although allowing the public to review these business filings online does improve government transparency and efficiency, some of the information provided in the filings can be substantially and easily misused. The personal signatures provided on the filings can quickly be pulled from the document and used to fraudulently sign other documents, including checks. The residential addresses provided by some business owners can be used to find images and the exact location of an owner’s personal home. Currently, both of these very sensitive pieces of personal information are readily available to everyone with internet access whereas previously they were only available upon request from the SOS’s office.”

The SOS’s office is still in the process of reviewing AB 1781 and does not have a position at this time. However, conversations with the author’s office, SOS’s office and interested parties have yielded the following concerns:

- **Use of residential addresses is discouraged.** Residence addresses are not required to submit a corporate statement of information filing. The SOS’s office actively discourages the use of residence addresses and provides corporations with alternatives for use on these forms.
- **Which addresses are residential is not easily determined.** The corporate statement of information forms request a street or mailing address and do not have a specific section for a residence address. The SOS’s office has no way of knowing if a residence address is listed on a corporate statement of information.
- **Restricting online public access to this information may impact customer service.** Passage of the bill could extend processing times and delay business registrations by requiring changes to business document processing systems and staff activities.

Transparency and public access are important goals when considering restricting access to public information. Individual Californians, government agencies and law enforcement, to name a few, benefit from direct access to the minimal contact information included on corporate statement of information filings. However, most if not all of the concerns listed above could be addressed with additional resources to revamp and retool the way the SOS maintains this information.

Should this bill pass the Assembly Banking and Finance Committee it will be heard in the Assembly Appropriations Committee where the cost of implementation will be analyzed.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

Analysis Prepared by: William Herms / B. & F. / (916) 319-3081