

Corporate Governance Update

NOVEMBER 2018

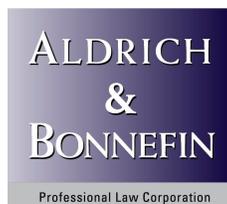
CALIFORNIA LAW IMPOSES WOMEN DIRECTOR MINIMUMS

Senate Bill 826 became law on September 30, 2018. Prior to enactment, the California Legislature conducted a review of numerous independent studies and found that publicly held corporations perform better with women serving on their board of directors. In September 2013, Senate Concurrent Resolution 62 urged all public companies in California, no later than the end of 2016, to increase the number of women on their boards by one to three depending on the size of their boards. A 2017 MSCI (formerly known as Morgan Stanley Capital International) study found that U.S. companies that began the five-year period from 2011 to 2016 with three or more female directors reported earnings per share that were 45 percent higher than those companies with no female directors at the beginning of the period.

SB 826 generally requires public companies to have at least one female director on the board of directors no later than the close of the 2019 calendar year. Specifically, domestic general corporations or foreign corporations that are publicly held (meaning the corporation has outstanding shares listed on a major U.S. stock exchange), and whose principal executive offices are in California according to the

corporation's SEC 10-K form, must have at least one female on its board of directors no later than the close of the 2019 calendar year. Further, no later than the close of the 2021 calendar year, the bill increases that minimum number to two female directors if the corporation has five directors, or three female directors if the corporation has six or more directors.

By July 1, 2019, the Secretary of State must publish a report documenting the number of domestic and foreign corporations whose principal executive offices (according to their SEC 10-K forms) are in California and that have at least one female director. Companies that fail to timely file board member information with the Secretary of State may be subject to a fine of \$100,000 for a first violation and \$300,000 for any subsequent violation.



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