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## California Still Requires “Mini” Sarbanes-Oxley Reports

July 2007

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#### Executive Summary

Shortly after the July 2002 adoption of the Sarbanes–Oxley Act, the California legislature weighed in on the rush to corporate reform through the adoption of its own set of “Sarbanes–Oxley-like” reporting requirements for public companies that are incorporated or doing business in California. See our client alerts: [California Follows the Sarbanes-Oxley Trend](#), October 2002; and [California Secretary of State Issues Forms and Instructions for New Information Reporting Requirements](#), January 2003. These client alerts analyzed amendments of Sections 1502 and 2117 of the California Corporations Code.

These California reporting requirements have been aptly described as a 'mini' California version of Sarbanes–Oxley. As initially adopted, California’s reporting requirements were confusing and often inconsistent with the reporting requirements under Sarbanes–Oxley. In response to this initial inconsistency, in 2004 the California legislature clarified somewhat and reduced the length and burden of its new reporting requirements. However, the law still stands, in its amended form, in Sections 1502.1 and 2117.1 of the California Corporations Code. Public companies incorporated or doing business in California should again consider the need to comply.

#### Discussion

While the California Secretary of State’s office has historically done little to enforce the reporting requirements of Sections 1502.1 and 2117.1, we have recently become aware of several companies being advised that they were not in compliance with those Sections. While the penalties are not necessarily severe (a minor \$250 cash penalty and the suspension of corporate powers, rights, and privileges such as the ability to use the California courts to pursue claims until compliant), we think it wise to once again review California’s reporting requirements.

Two categories of public companies must comply with California’s reporting obligations: (1) California incorporated corporations (domestic corporations) and (2) non–California incorporated corporations (foreign corporations) who have, or should have, qualified to do business in California. Both domestic and foreign corporations must annually file Form [SI-PT](#) with the California Secretary of State within 150 days after the end of the corporation’s fiscal year. While it is often overlooked, a reminder to file Form [SI-PT](#) is included in the instructions for completing Form [SI-200](#) (Statement of Information, Domestic Stock Corporation) and Form [SI-350](#) (Statement of Information, Foreign Corporation), which are received from and must be filed with the California Secretary of State for annual renewals of California corporate status.

Even though California’s requirements remain somewhat confusing and inconsistent with Sarbanes–Oxley, we understand them and have experience in interpreting California’s required report. Please let us know if we can assist you in understanding and, if necessary, complying with California’s continuing reporting requirements.