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December 28, 2023

Rule 14a-8(i)(2)
Rule 14a-8(i)(6)

VIA ONLINE SHAREHOLDER PROPOSAL FORM

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Re: ***Bristol-Myers Squibb Company – Proposal Submitted by the New York City Carpenters Pension Fund***

Ladies and Gentlemen:

On behalf of Bristol-Myers Squibb Company (the "***Company***"), we are submitting this letter pursuant to Rule 14a-8(j) under the Securities Exchange Act of 1934 to notify the Securities and Exchange Commission (the "***Commission***") of the Company's intention to exclude a shareholder proposal (the "***Proposal***") submitted by the New York City Carpenters Pension Fund (the "***Proponent***") from the Company's proxy statement and form of proxy (together, the "***2024 Proxy Materials***") to be distributed to the Company's shareholders in connection with its 2024 annual meeting of shareholders (the "***2024 Annual Meeting***"). The Company respectfully requests confirmation that the staff of the Division of Corporation Finance (the "***Staff***") will not recommend to the Commission that enforcement action be taken if the Company excludes the Proposal from the 2024 Proxy Materials for the reasons discussed below.

In accordance with Staff guidance, this letter is being submitted using the Staff's online Shareholder Proposal Form. Pursuant to Rule 14a-8(j), a copy of this submission also is being sent to the Proponent. Rule 14a-8(k) and SLB No. 14D provide that a shareholder proponent is required to send to the Company a copy of any correspondence the proponent elects to submit to the Commission or the Staff. Accordingly, we hereby inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff relating to the Proposal, the

Proponent should concurrently furnish a copy of that correspondence to the undersigned on behalf of the Company (by e-mail).

Pursuant to the guidance provided in Section F of Staff Legal Bulletin 14F (October 18, 2011), we ask that the Staff provide its response to this request to the undersigned via e-mail at the address noted in the last paragraph of this letter.

The Company intends to file its definitive 2024 Proxy Materials with the Commission on or about March 28, 2024.

THE PROPOSAL

The Proposal sets forth the following resolution to be voted on by shareholders at the 2024 Annual Meeting:

> **Resolved:** That the shareholders of Bristol-Myers Squibb Company ("Company") hereby request that the board of directors take the necessary action to adopt a director election resignation bylaw that requires each director nominee to submit an irrevocable conditional resignation to the Company to be effective upon the director's failure to receive the required shareholder majority vote support in an uncontested election. The proposed resignation bylaw shall require the Board to accept a tendered resignation absent the finding of a compelling reason or reasons to not accept the resignation. Further, if the Board does not accept a tendered resignation and the director remains a "holdover" director, the resignation bylaw shall stipulate that should a "holdover" director fail to be re-elected at the next annual election of directors, that director's new tendered resignation will be automatically effective 30 days after the certification of the election vote. The Board shall report the reasons for its actions to accept or reject a tendered resignation in a Form 8-K filing with the U.S. Securities and Exchange Commission.

A copy of the Proponent's complete submission, including the Proposal, supporting statement, and related materials, is attached hereto as Exhibit A.

BASES FOR EXCLUSION

The Company hereby respectfully requests that the Staff concur in its view that the Proposal may be excluded from the 2024 Proxy Materials pursuant to (i) Rule 14a-8(i)(2) because the Proposal would require the Company to violate Delaware law and (ii) Rule 14a-8(i)(6) because the Company lacks the power to implement the Proposal.

I. Rule 14a-8(i)(2) – The Proposal Would Require the Company to Violate Delaware Law

Rule 14a-8(i)(2) permits a company to exclude a proposal if its implementation would cause the company to violate state, federal or foreign law applicable to the company. The Company is incorporated under the laws of the State of Delaware. The Proposal, if approved by shareholders, would cause the Company to violate Delaware law. As more fully explained in the legal opinion of Richards, Layton & Finger, P.A. (the "***Delaware Legal Opinion***") attached hereto as Exhibit B, the Proposal, if adopted, would require the Company's Board of Directors (the "***Board***"), as currently constituted and in the future, to accept a holdover director's previously tendered resignation absent "compelling reasons" not to. The imposition of a "compelling reasons" standard for accepting director resignations is inconsistent with Delaware law, which imposes on directors a fiduciary duty to base their decisions on a good faith belief that such decisions are in the best interest of the corporation and its stockholders. The Proposal would require directors to accept another director's resignation, even when the directors believe, in good faith, that accepting the resignation would not be in the best the interests of the Company and its stockholders, unless the directors were to determine that other factors, beyond the best interests of the Company and its stockholders, present "compelling reasons" to reject the resignation. As explained in the Delaware Legal Opinion, under Delaware law, the Board may not adopt a bylaw that mandates a substantive decision on the part of the Board without regard to the application of the directors' fiduciary duties. By limiting the Board's ability to reject a director's resignation in the exercise of its fiduciary duty, the Proposal would do precisely that. In addition, as explained in the Delaware Legal Opinion, the Proposal violates Delaware law by impermissibly reducing the voting standard required to end the term of a holdover director (whose resignation is not accepted by the Board) and remove the director from office to be a majority of votes cast, which voting standard is contrary to the vote required under the Delaware statute.

The Staff has on numerous occasions permitted exclusion under Rule 14a-8(i)(2) of proposals that would cause companies to violate state law by impermissibly infringing on the managerial authority of the Board and prevent directors from discharging their fiduciary duties to the company. For example, in *Bank of America Corp.* (Feb. 23, 2012), the Staff permitted exclusion of a proposal under Rule 14a-8(i)(2) that requested the company take action, including amending the bylaws and any other actions needed, to "minimize" the indemnification rights afforded to directors. In its response to the company's no-action request, the Staff stated that "implementation of the proposal would cause Bank of America to violate state law," where the supplied opinion of counsel had opined that the proposal violated Section 141(a) of the Delaware General Corporation Law (the "***DGCL***") by removing from the board its ability to determine whether (and to what extent) to provide indemnification to the company's directors. *See also Johnson & Johnson* (Feb. 16, 2012) (permitting exclusion of a proposal under Rule 14a-8(i)(2) that would have required adoption of a bylaw that would disqualify directors from service on the company's compensation committee if they received "no" or "withhold" votes in excess of 10% of the votes cast, where the supplied legal opinion opined that the proposal violated state law by interfering with the exclusive grant of authority given to the board of directors to appoint directors to committees of the board); *Gillette Company* (March 10, 2003) (permitting exclusion of a

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proposal seeking a board policy establishing procedures for implementing shareholder proposals that receive majority support, where the supplied legal opinion argued the proposal would force the board to implement shareholder proposals without considering their merit and that to do so would remove from the board the judgment required to satisfy its duties under Delaware law).

A. *The Proposal imposes a "compelling reasons" standard for the Board's determinations to accept director resignations that does not take into account the Board's fiduciary duties*

Section 141(a) of the DGCL provides that the business and affairs of a Delaware corporation are to be managed by the board of directors except as otherwise provided in the DGCL or in a company's certificate of incorporation. Because the Company's Amended and Restated Certificate of Incorporation, as amended (the "***Charter***"), does not provide for management of the Company by persons other than directors, the Board possesses the full power and authority to manage the business and affair of the Company. The Delaware courts have held that a bylaw that purports to mandate a substantive decision on the part of the board of directors without regard to the application of the directors' fiduciary duties violates Section 141(a). *See, e.g., CA, Inc. v. AFSCME Employees Pension Plan*, 953 A.2d 227 (Del. 2008) (holding that a proposed stockholder adopted bylaw that mandated that the board of directors reimburse a stockholder for its expenses in running a proxy contest to elect a minority of the members of the board of directors would violate Delaware law because it mandated reimbursement of proxy expenses even in circumstances where a proper application of fiduciary principles would preclude doing so).

The Proposal requests the adoption of a bylaw that, if implemented, would limit Board's current and future ability to exercise its managerial power and concomitant fiduciary duties to the Company and its shareholders in violation of Section 141(a) of the DGCL. As explained in the Delaware Legal Opinion, the Board cannot unilaterally adopt a bylaw that limits a future board's ability to take actions it believes are in the best interests of the Company and its shareholders. The Proposal would eliminate the power of the Company's current and future directors to reject a director resignation absent a finding of a "compelling reason" or "compelling reasons," even where the Board believes, in the good faith exercise of its fiduciary duties under Delaware law, that accepting the resignation would be contrary to the interests of the Company and its shareholders.

Imposing a "compelling reasons" standard abrogates the Board's decision-making authority under the DGCL and the Charter with respect to conditional director resignations. By imposing such a standard, the Proposal impermissibly binds future directors on matters involving the management of the Company. As stated in the Delaware Legal Opinion, the Board must consider and balance a number of factors in deciding whether to accept a resignation, including the underlying reasons for the director's failure to receive a majority vote for re-election, the tenure and qualifications of the director, the director's past and expected future contributions to the Board and the overall composition of the Board, including whether accepting the resignation would cause the Company to fail to meet the requirements of any law, rule or regulation applicable to the Company. The Proposal requests the adoption of a bylaw that would mandate current and

future directors of the Company to make determinations based on a "compelling reasons" standard that has meaning only if it would require the directors to accept a resignation in circumstances where proper application of their fiduciary duties would cause them to decide otherwise. Because the bylaw provision contemplated by the Proposal mandates that the Company's current and future directors accept director resignations based on a compelling reasons standard that does not take into account the director's fiduciary duties, it violates Delaware law.

B. ***The Proposal would effect the removal of a director without the vote required by the Delaware statute***

In addition, the Proposal would violate Delaware law by imposing a voting standard for the removal of directors that is contrary to the Delaware statute. The bylaw requested by the Proposal would require that, if the Board does not accept the resignation of a holdover director following an annual meeting, the director's resignation will be "automatically effective" 30 days after the next annual meeting if such director fails to receive the majority of votes cast. The Proposal would therefore end the term of any holdover director and remove the director from office if the director does not receive a majority of votes cast at the subsequent annual meeting. As explained by the Delaware Legal Opinion, this violates Delaware law by imposing a different voting standard for the removal of directors than the standard prescribed by the DGCL.

Section 141(k) of the DGCL sets the voting standard for the removal of directors (except for two exceptions inapplicable to the Company) as "a majority of the shares then entitled to vote at an election of directors." Meanwhile, the Company's voting standard for director elections in uncontested elections, set forth in the Company's Bylaws, is "the majority of the votes cast with respect to that director's election." Because the Proposal would require that any holdover director who does not receive the majority of votes cast at a subsequent annual meeting be removed, the Proposal effectively substitutes the lower voting threshold of a majority of votes cast for the director removal voting standard prescribed by the DGCL. As explained by the Delaware Legal Opinion, the Delaware courts have held that a bylaw provision that permits shareholders to remove directors by a lesser voting standard than that prescribed by Section 141(k) is invalid under Delaware law. The Delaware Legal Opinion also explains that a bylaw may not impose a requirement that disqualifies a director and terminates the director's service.

Because the Proposal would reduce the voting standard required to end the term of a holdover director and remove the director from office from a majority in voting power of the outstanding shares entitled to vote in the election of such director to a majority of the votes cast at the meeting, it violates Delaware law and may be excluded under Rule 14a-8(i)(2).

II. Rule 14a-8(i)(6) – The Company Lacks the Power to Implement the Proposal.

Rule 14a-8(i)(6) allows a company to exclude a proposal if the company would lack the power or authority to implement the proposal. As described above, the Proposal would, if implemented, cause the Company to violate Delaware law. The Staff has on numerous occasions permitted exclusion under Rule 14a-8(i)(6) of proposals that would cause the company to violate

the law of the jurisdiction of its incorporation. *See Arlington Asset Investment Corp.* (April 23, 2021) (permitting exclusion of proposal that would violate Virginia law); *eBay Inc.* (April 1, 2020) (permitting exclusion of proposal that would violate Delaware law); *Trans World Entertainment Corp.* (May 2, 2019) (permitting exclusion of proposal that would violate New York law); *IDACORP, Inc.* (permitting exclusion of proposal that would violate Idaho law) (March 13, 2012); *NiSource Inc.* (March 22, 2010) (permitting exclusion of proposal that would violate Indiana law); *Schering-Plough Corp.* (March 27, 2008) (permitting exclusion of proposal that would violate New Jersey law); *AT&T, Inc.* (Feb. 19, 2008) (permitting exclusion of a proposal that would violate Delaware law); *Noble Corp.* (Jan. 19, 2007) (permitting exclusion of a proposal that would violate Cayman Islands law).

CONCLUSION

For the reasons discussed above, the Company believes that it may omit the Proposal from its 2024 Proxy Materials. We request the Staff's concurrence in our view or, alternatively, confirmation that the Staff will not recommend any enforcement action if the Company excludes the Proposal.

If you have any questions or need additional information, please feel free to contact me at (202) 637-5464. Correspondence regarding this letter may be sent to me by e-mail at: john.beckman@hoganlovells.com.

Sincerely,

John B. Beckman

Enclosures

cc: Kimberly M. Jablonski, Bristol-Myers Squibb Company
Lisa A. Atkins, Bristol-Myers Squibb Company
Alan L. Dye, Hogan Lovells US LLP
Michael Piccirillo, New York City Carpenters Pension Fund

Exhibit A

Proponent's Submission

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA
NEW YORK CITY & VICINITY DISTRICT COUNCIL OF CARPENTERS

JOSEPH A. GEIGER
Executive Secretary - Treasurer

PAUL CAPURSO
President /Asst EST

DAVID CARABALLOSO
Vice President /Asst EST

395 HUDSON STREET - 9TH FLOOR
NEW YORK, N.Y. 10014
PHONE: [redacted]
FAX: [redacted]
www.nycdistrictcouncil.com

SENT VIA OVERNIGHT UPS

November 17, 2023

Kimberly M. Jablonski
Senior Vice President and
Corporate Secretary
Bristol-Myers Squibb Company
206 & Province Line Road
Princeton, NJ 08543

Dear Ms. Jablonski:

I hereby submit the enclosed shareholder proposal ("Proposal") on behalf of the New York City Carpenters Pension Fund ("Fund"), for inclusion in the Bristol-Myers Squibb Company ("Company") proxy statement to be circulated in conjunction with the next annual meeting of shareholders. The Proposal relates to the issue of director resignations and is submitted under Rule 14(a)-8 (Proposals of Security Holders) of the U.S. Securities and Exchange Commission proxy regulations.

The Fund is the beneficial owner of shares of the Company's common stock, with a market value of at least $25,000, which shares have been held continuously for more than a year prior to and including the date of the submission of the Proposal. Verification of this ownership by the record holder of the shares, BNY Mellon, will be sent under separate cover. The Fund intends to hold the shares through the date of the Company's next annual meeting of shareholders. Either the undersigned or a designated representative will present the Fund's Proposal for consideration at the annual meeting of shareholders.

If you would like to discuss the Proposal, please contact Michael Piccirillo at [redacted]@nycdistrictcouncil.org. Mr. Piccirillo will be available to discuss the proposal on Tuesday, December 5, or Tuesday, December 12, from 1:00PM to 5:00PM (ET) either day or other mutually agreeable date and time. Please forward any correspondence related to the proposal to Mr. Piccirillo, New York City District Council of Carpenters, 395 Hudson Street, 9th Floor, New York, NY 10014 or at the email address above.

Sincerely,

Joseph A. Geiger

Joseph A. Geiger
Fund Co-Chair - Trustee

cc. Michael Piccirillo
Edward J. Durkin
Enclosure

Director Election Resignation Bylaw Proposal:

Resolved: That the shareholders of Bristol-Myers Squibb Company ("Company") hereby request that the board of directors take the necessary action to adopt a director election resignation bylaw that requires each director nominee to submit an irrevocable conditional resignation to the Company to be effective upon the director's failure to receive the required shareholder majority vote support in an uncontested election. The proposed resignation bylaw shall require the Board to accept a tendered resignation absent the finding of a compelling reason or reasons to not accept the resignation. Further, if the Board does not accept a tendered resignation and the director remains as a "holdover" director, the resignation bylaw shall stipulate that should a "holdover" director fail to be re-elected at the next annual election of directors, that director's new tendered resignation will be automatically effective 30 days after the certification of the election vote. The Board shall report the reasons for its actions to accept or reject a tendered resignation in a Form 8-K filing with the U.S. Securities and Exchange Commission.

Supporting Statement: The Proposal requests that the Board establish a director resignation bylaw to enhance director accountability. The Company has established in its bylaws a majority vote standard for use in an uncontested director election, an election in which the number of nominees equal the number of open board seats. Under applicable state corporate law, a director's term extends until his or her successor is elected and qualified, or until he or she resigns or is removed from office. Therefore, an incumbent director who fails to receive the required vote for election under a majority vote standard continues to serve as a "holdover" director until the next meeting of shareholders. A Company governance policy currently addresses the continued status of an incumbent director who fails to be re-elected by requiring such director to tender his or her resignation for Board consideration.

The new director resignation bylaw will set a more demanding standard of review for addressing director resignations then that contained in the Company's resignation governance policy. The resignation bylaw will require the reviewing directors to articulate a compelling reason or reasons for not accepting a tendered resignation and allowing an unelected director to continue to serve as a "holdover" director. Importantly, if a director's resignation is not accepted and he or she continues as a "holdover" director but again fails to be elected at the next annual meeting of shareholders, that director's new tendered resignation will be automatically effective 30 days following the election vote certification. While providing the Board latitude to accept or not accept the initial resignation of an incumbent director that fails to receive majority vote support, the amended bylaw will establish the shareholder vote as the final word when a continuing "holdover" director is not re-elected. The Proposal's enhancement of the director resignation process will establish shareholder voting in director elections as a more consequential governance right.

Exhibit B

Delaware Legal Opinion

RICHARDS LAYTON & FINGER

December 28, 2023

Bristol-Myers Squibb Company
Route 206 & Province Line Road
Princeton, New Jersey 08543

Re: Stockholder Proposal on behalf of New York City Carpenters Pension Fund

Ladies and Gentlemen:

We have acted as special Delaware counsel to Bristol-Myers Squibb Company, a Delaware corporation (the "Company"), in connection with a stockholder proposal (the "Proposal") on behalf of New York City Carpenters Pension Fund (the "Proponent"), dated November 17, 2023, for the 2024 annual meeting of stockholders of the Company (the "Annual Meeting"). In this connection, you have requested our opinion as to certain matters under the laws of the State of Delaware.

For the purpose of rendering our opinion as expressed herein, we have been furnished with and have reviewed the following documents: (i) the Amended and Restated Certificate of Incorporation of the Company as filed with the Secretary of State of the State of Delaware (the "Secretary of State") on May 24, 2005, as amended by the Certificates of Correction as filed with the Secretary of State on December 23, 2009, as amended by the Certificates of Amendment as filed with the Secretary of State on May 7, 2010 and May 4, 2021, respectively (collectively, the "Certificate of Incorporation"); (ii) the Amended and Restated Bylaws of the Company, amended as of May 4, 2021 (the "Bylaws"); and (iii) the Proposal.

With respect to the foregoing documents, we have assumed: (i) the authenticity of all documents submitted to us as originals; (ii) the conformity to authentic originals of all documents submitted to us as copies; (iii) the genuineness of all signatures and the legal capacity of natural persons; and (iv) that the foregoing documents, in the forms thereof submitted to us for our review, have not been and will not be altered or amended in any respect material to our opinion as expressed herein. We have not reviewed any document other than the documents listed above for purposes of rendering this opinion, and we assume that there exists no provision of any such other document that bears upon or is inconsistent with our opinion as expressed herein. In addition, we have conducted no independent factual investigation of our own but rather have relied solely on the foregoing documents, the statements and information set forth therein and the additional factual matters recited or assumed herein, all of which we assume to be true, complete and accurate in all material respects.

THE PROPOSAL

The Proposal states the following:

> **Resolved:** That the shareholders of Bristol-Myers Squibb Company ("Company") hereby request that the board of directors take the necessary action to adopt a director election resignation bylaw that requires each director nominee to submit an irrevocable conditional resignation to the Company to be effective upon the director's failure to receive the required shareholder majority vote support in an uncontested election. The proposed resignation bylaw shall require the Board to accept a tendered resignation absent the finding of a compelling reason or reasons to not accept the resignation. Further, if the Board does not accept a tendered resignation and the director remains a "holdover" director, the resignation bylaw shall stipulate that should a "holdover" director fail to be re-elected at the next annual election of directors, that director's new tendered resignation will be automatically effective 30 days after the certification of the election vote. The Board shall report the reasons for its actions to accept or reject a tendered resignation in a Form 8-K filing with the U.S. Securities and Exchange Commission.

We have been advised that the Company is considering excluding the Proposal from the Company's proxy statement for the Annual Meeting under, among other reasons, Rule 14a-8(i)(2) promulgated under the Securities Exchange Act of 1934, as amended. Rule 14a-8(i)(2) provides that a registrant may omit a proposal from its proxy statement when "the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject." In this connection, you have requested our opinion as to whether, under Delaware law, the implementation of the Proposal, if adopted by the Company's stockholders, would violate Delaware law.

For the reasons set forth below, to the extent the Proposal, if implemented, (i) requires the board of directors of the Company (the "Board") to accept a resignation in circumstances where doing so would violate its fiduciary duties or (ii) effects the removal of a director without the statutorily required vote, the Proposal, in our opinion, would violate Delaware law.

DISCUSSION

The Proposal would violate Delaware law if implemented.

The Proposal requests that the Board adopt a provision in the Bylaws which, among other things, requires each director nominee to submit an irrevocable conditional resignation to be effective if the director fails to receive "the required majority vote support" in an uncontested

election. The bylaw provision contemplated by the Proposal would require the Board to accept such a tendered resignation unless the Board finds a "compelling reason or reasons" not to accept the resignation. The bylaw provision contemplated by the Proposal thus would impose a "compelling reasons" standard on decisions made by the current and future Boards with respect to accepting resignations tendered by directors in accordance with the bylaw provision.

For the reasons set forth below, in our opinion, because the Proposal, if adopted, would require the Company's current and future boards to accept a director's resignation unless there were "compelling reasons" not to, the Proposal effectively requires the Board to accept a resignation in circumstances where the board believes, in the good faith exercise of its fiduciary duties under Delaware law, that accepting the resignation is not in the best interests of the Company and its stockholders. Because the Proposal requires that the Board accept resignations in circumstances where proper application of the Board's fiduciary duties would preclude it from doing so, the Proposal violates Delaware law.

Section 141(a) of the General Corporation Law provides that the "business and affairs of every corporation organized under this chapter shall be managed by or under the direction of a board of directors, except as may be otherwise provided in this chapter or in its certificate of incorporation." 8 *Del. C.* § 141(a). Significantly, if there is to be any variation from the mandate of Section 141(a), it can only be as "otherwise provided in this chapter or in its certificate of incorporation." *See*, *e.g.*, *Lehrman v. Cohen*, 222 A.2d 800, 808 (Del. 1966). The Certificate of Incorporation does not provide for management of the Company by persons other than directors, and the phrase "except as otherwise provided in this chapter" does not include bylaws adopted pursuant to Section 109(b) of the General Corporation Law. Thus, the Board possesses the full power and authority to manage the business and affairs of the Company. *Aronson v. Lewis*, 473 A.2d 805, 811 (Del. 1984); *see also In re CNX Gas Corp. S'holders Litig*., 2010 WL 2705147, at *10 (Del. Ch. July 5, 2010) ("the premise of board-centrism animates the General Corporation Law"); *McMullin v. Beran*, 765 A.2d 910, 916 (Del. 2000) ("One of the fundamental principles of the Delaware General Corporation Law statute is that the business affairs of a corporation are managed by or under the direction of its board of directors.") (citing 8 *Del. C.* § 141(a)); *Quickturn Design Sys., Inc. v. Shapiro*, 721 A.2d 1281, 1291 (Del. 1998) ("One of the most basic tenets of Delaware corporate law is that the board of directors has the ultimate responsibility for managing the business and affairs of a corporation.") (footnote omitted). In making business decisions, directors owe duties of care and loyalty to the corporation and all of its stockholders which requires them to base their decisions on what they reasonably believe to be in the best interests of the corporation and its stockholders. *Mills Acq. Co. v. Macmillan, Inc.*, 559 A.2d 1261,1280 (Del. 1989).

The Delaware courts have held that a bylaw that purports to mandate a substantive decision on the part of the board of directors without regard to the application of the directors' fiduciary duties violates Section 141(a). *CA, Inc. v. AFSCME Employees Pension Plan*, 953 A.2d 227, 235-338 (Del. 2008). For example, in *CA, Inc.*, the Delaware Supreme Court held that a proposed stockholder adopted bylaw that mandated that the board of directors reimburse a stockholder for its expenses in running a proxy contest to elect a minority of the members of the

board of directors would violate Delaware law because it mandated reimbursement of proxy expenses even in circumstances where a proper application of fiduciary principles would preclude doing so. *Id*. Thus, a corporation's board or its stockholders may not bind future directors on matters involving the management of the company. *Id*.; *see also Carmody v. Toll Bros., Inc.*, 723 A.2d 1180, 1191 (Del. Ch. 1998) (refusing to dismiss claims that the "deadhand" provision in the company's rights plan which would limit a future board's ability to redeem the rights plan was invalid under Delaware law); *Quickturn Design Sys., Inc.*, 721 A.2d at 1281 (invalidating a provision that, under certain circumstances, would have prevented newly-elected directors from redeeming a rights plan for a six-month period); *Paramount Communications, Inc. v. QVC Network, Inc.*, 637 A.2d 34, 51 (Del. 1994) (invalidating a provision in a merger agreement that prevented the directors from communicating with competing bidders); *Abercrombie v. Davies,* 123 A.2d 893, 899 (Del. Ch. 1956) (invalidating a provision in an agreement that required the directors to act as directed by an arbitrator in certain circumstances where the board was deadlocked), *rev'd on other grounds*, 130 A.2d 338 (Del. 1957).

The decision whether to accept a resignation is a business decision for the Board in which it is required to exercise its fiduciary duties. *Louisiana Mun. Police Emps. Ret. Sys. v. Morgan Stanley & Co. Inc.*, 2011 WL 773316, at *6 (Del. Ch. Mar. 4, 2011). There are a number of factors which need to be considered in deciding whether to accept a resignation which a Board must consider and balance, including, without limitation, the underlying reasons for the director failing to receive a majority vote for such director's election, the tenure and qualifications of the director, the director's past and expected future contributions to the Board and the overall composition of the Board including whether accepting the resignation would cause the Company to fail to meet the requirements of any law, rule or regulation applicable to the Company. The Proposal requests amendments to the Bylaws that would mandate current and future directors of the Company to make determinations based on a "compelling reasons" standard that has meaning only if it would require the directors to accept a resignation in circumstances where proper application of its fiduciary duties would cause it to decide otherwise. Because the bylaw provision contemplated by the Proposal mandates the Company's current and future directors accept director resignations based on a compelling reasons standard that does not take into account the director's fiduciary duties, it violates Delaware law.

In addition, the bylaw contemplated by the Proposal would require that, if the board finds there are compelling reasons not to accept the resignation of a director who did not receive a majority of the votes cast for such director's election (and thus continues as a holdover director) *and* such director fails to receive a majority of the votes cast for such director's election at the next annual meeting of stockholders, such director's resignation "will be automatically effective 30 days after the certification of the election vote." The supporting statement to the Proposal provides that the foregoing provision is intended to ensure that the stockholder vote is the "final word when a continuing 'holdover' director is not re-elected." Thus, the clear purpose and intent of such provision is to end the holdover term of the director and remove the holdover director from office if such director does not receive a majority of the votes cast at the second annual meeting. The bylaw contemplated by the Proposal would thus set for the removal of any such holdover director a voting standard based on a majority of the votes cast at the meeting (which is the applicable

standard for the election of directors in an uncontested election as set forth in the Bylaws). To the extent such bylaw purports to fix the stockholder vote required to end the term of a holdover director and remove the holdover director from office as a majority of the votes cast, it violates Delaware law.

Section 141(k) of the General Corporation Law provides that, other than with respect to two exceptions that are not applicable to the Company,[1] "any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors." 8 *Del. C.* § 141(k). A bylaw may not override a statutory mandate. *See* 8 *Del. C.* § 109(b); *Kerbs v. California Eastern Airways*, 90 A.2d 652, 658-59 (Del. 1952) (finding that a bylaw purporting to allow establishment of a quorum with fewer directors than the minimum required by statute to be void and stating that "a by-law which is repugnant to the statute must always give way to the statute's superior authority"). A bylaw that is contrary to statute is void. *Sinchareonkul v. Fahnemann*, 2015 WL 292314, at *8 (Del. Ch. Jan. 22, 2015) (observing, in finding that a bylaw that purported to provide a specified director additional votes qua director was invalid in light of statute, Section 141(d) of the General Corporation Law, requiring any such provision to appear in the certificate of incorporation, that "[u]nder Section 109(b), a bylaw that conflicts with the DGCL is void."). The Delaware courts have held that a bylaw provision that purports to permit the stockholders to remove directors by a lesser voting standard than required by Section 141(k) is invalid under Delaware law. *Frechter v. Zier*, 2017 WL 345142, at *4 (Del Ch. Jan. 24, 2017) (holding that a director removal provision in the bylaws that allowed a simple majority of stockholders to remove directors is "unambiguously[ ] inconsistent with the statute"). The Delaware courts have also held that a bylaw may not impose a requirement that disqualifies a director and terminates the director's service. *See, e.g. Kurz v. Holbrook*, 989 A.2d 140, 157 (Del. Ch. 2010) ("In light of the three procedural means for ending a director's term in Section 141(b), I do not believe a bylaw could impose a requirement that would disqualify a director and terminate his service."); *see also Rohe v. Reliance Training Network, Inc.*, 2000 WL 1038190, at *12 (Del.Ch. July 21, 2000). Thus, to the extent that the bylaw provision contemplated by the Proposal would reduce the vote required to end the term of a holdover director and remove that director from office from a majority in voting power of the outstanding shares entitled to vote in the election of such director to a majority of the votes cast at the meeting, it violates Section 141(k) of the General Corporation Law and is therefore invalid.

CONCLUSION

Based upon and subject to the foregoing and subject to the limitations stated herein, it is our opinion that the Proposal, if implemented, would violate Delaware law.

[1] The two exceptions relate to the removal of directors from a classified board or where cumulative voting in the election of directors is permitted. 8 *Del. C.* § 141(k). The Company does not have a classified board and does not permit cumulative voting the election of directors.

The foregoing opinion is limited to the laws of the State of Delaware. We have not considered and express no opinion on the laws of any other state or jurisdiction, including federal laws regulating securities or any other federal laws, or the rules and regulations of stock exchanges or of any other regulatory body.

The foregoing opinion is rendered solely for your benefit in connection with the matters addressed herein. We understand that you may furnish a copy of this opinion letter to the Securities and Exchange Commission and to the Proponent in connection with the matters addressed herein, and we consent to your doing so. Except as stated in this paragraph, this opinion letter may not be furnished or quoted to, nor may the foregoing opinion be relied upon by, any other person or entity for any purpose without our prior written consent.

Very truly yours,

Richards, Layton & Finger, P.A.

MDA/JJV