**Board Governance of Private Equity-Controlled Companies**

**An Informative Conversation Between Chelsea Grayson, David Layton, and Chris Mitchell Facilitated by Rafael Pastor**

In a fireside chat hosted by the NACD Pacific Southwest Chapter on April 18, 2019, our Board Leader Rafael Pastor spoke with Chelsea Grayson, Chief Executive Officer of True Religion, David Layton, Co-Chief Executive Office of Partners Group, and Chris Mitchell, a seasoned corporate boardroom leader, about board governance of private equity-controlled companies.

The lunch meeting at The California Club in downtown Los Angeles provided insight on the evolving nature of private equity today, the importance of boards in helping to align interests and the attributes directors need to thrive in private-equity controlled companies.

Key Takeaways:

1. With the precipitous decline in publicly listed companies (50% over the past 20 years), today more companies are owned by private equity than ever before. Collectively, private equity firms manage $5.6 trillion and are among the largest employers in the U.S.
2. The success of private equity has been supported by a corporate governance regime that enables entrepreneurialism and creates value through management teams and boards.
3. Alignment of interests is a guiding principle for the private equity community. Private-equity firms want directors who are actively engaged and have skin in the game to support that alignment.
4. Private equity held companies have a similar fiduciary responsibility as public companies, but differ in that they are not bogged down with public company reporting requirements and engagement is real time rather than just at quarterly board meetings.
5. Management teams want to build trust with private equity firms and to rely on directors for mentorship. A good private equity firm should strive to “shadow management” not try to run the business.
6. Historically private equity firms have managed portfolio companies by being “number-ninjas.” Today they are also focused on issues such as corporate culture, ESG and diversity.
7. Like a marriage, the first 100 days matter; a good start with private equity is crucial to long-term success.
8. The pool of intellectual capital and talent on private equity boards is growing, but strong board members are still in demand. Key attributes for success include directors who: (1) are generous with their time, non-judgmental, responsive and bring operating experience; (2) have a high profile that is exciting to employees and customers and (3) add diversity to the board.