

Senate Bill No. 1746

CHAPTER 178

An act to amend Section 17912 of the Business and Professions Code, to amend Sections 395.2 and 416.40 of the Code of Civil Procedure, to amend Sections 174.5, 5063.5, 12242.5, 15800, and 21200 of, to amend the heading of Part 5 (commencing with Section 24000) of Title 3 of, to add Sections 16309 and 16310 to, to add Part 1 (commencing with Section 18000) to Title 3 of, and to add Chapter 1 (commencing with Section 18605) to Part 2 of Title 3 of, and to repeal Sections 24000, 24001, 24002, 24003, 24004, 24005, 24006, and 24007 of, and to repeal Part 1 (commencing with Section 20000) of, and Chapter 1 (commencing with Section 21000) and Chapter 2 (commencing with Section 21100) of Part 2 of, Title 3 of, the Corporations Code, and to amend Section 50089 of the Government Code, relating to unincorporated associations.

[Approved by Governor July 19, 2004. Filed with
Secretary of State July 20, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1746, Ackerman. Unincorporated associations.

Existing law sets forth the liability of members of unincorporated associations, including nonprofit associations.

This bill would repeal these provisions and would enact new provisions relative to the liability of members of unincorporated associations. The bill would also make various conforming changes to existing law relating to these new provisions.

The people of the State of California do enact as follows:

SECTION 1. Section 17912 of the Business and Professions Code is amended to read:

17912. This chapter does not apply to a real estate investment trust as defined in Section 23000 of the Corporations Code that has a statement on file, pursuant to Section 18200 of the Corporations Code, designating an agent for service of process or has qualified to do business under Chapter 21 (commencing with Section 2100) of Division 1 of the Corporations Code.

SEC. 2. Section 395.2 of the Code of Civil Procedure is amended to read:

395.2. If an unincorporated association has filed a statement with the Secretary of State pursuant to statute, designating its principal office in this state, the proper county for the trial of an action against the unincorporated association is the same as it would be if the unincorporated association were a corporation and, for the purpose of determining the proper county, the principal place of business of the unincorporated association shall be deemed to be the principal office in this state listed in the statement.

SEC. 3. Section 416.40 of the Code of Civil Procedure is amended to read:

416.40. A summons may be served on an unincorporated association (including a partnership) by delivering a copy of the summons and of the complaint:

(a) If the association is a general or limited partnership, to the person designated as agent for service of process in a statement filed with the Secretary of State or to a general partner or the general manager of the partnership;

(b) If the association is not a general or limited partnership, to the person designated as agent for service of process in a statement filed with the Secretary of State or to the president or other head of the association, a vice president, a secretary or assistant secretary, a treasurer or assistant treasurer, a general manager, or a person authorized by the association to receive service of process;

(c) When authorized by Section 18220 of the Corporations Code, as provided by that section.

SEC. 4. Section 174.5 of the Corporations Code is amended to read:

174.5. “Other business entity” means a domestic or foreign limited liability company, limited partnership, general partnership, business trust, real estate investment trust, unincorporated association (other than a nonprofit association), or a domestic reciprocal insurer organized after 1974 to provide medical malpractice insurance as set forth in Article 16 (commencing with Section 1550) of Chapter 3 of Part 2 of Division 1 of the Insurance Code. As used herein, “general partnership” means a “partnership” as defined in subdivision (7) of Section 16101; “business trust” means a business organization formed as a trust; “real estate investment trust” means a “real estate investment trust” as defined in subsection (a) of Section 856 of the Internal Revenue Code of 1986, as amended; and “unincorporated association” has the meaning set forth in Section 18035.

SEC. 5. Section 5063.5 of the Corporations Code is amended to read:

5063.5. “Other business entity” means a domestic or foreign limited liability company, limited partnership, general partnership,



business trust, real estate investment trust, unincorporated association (other than a nonprofit association), or a domestic reciprocal insurer organized after 1974 to provide medical malpractice insurance as set forth in Article 16 (commencing with Section 1550) of Chapter 3 of Part 2 of Division 1 of the Insurance Code. As used herein, “general partnership” means a “partnership” as defined in subdivision (7) of Section 16101; “business trust” means a business organization formed as a trust; “real estate investment trust” means a “real estate investment trust” as defined in subsection (a) of Section 856 of the Internal Revenue Code of 1986, as amended; and “unincorporated association” has the meaning set forth in Section 18035.

SEC. 6. Section 12242.5 of the Corporations Code is amended to read:

12242.5. “Other business entity” means a domestic or foreign limited liability company, limited partnership, general partnership, business trust, real estate investment trust, unincorporated association (other than a nonprofit association), or a domestic reciprocal insurer organized after 1974 to provide medical malpractice insurance as set forth in Article 16 (commencing with Section 1550) of Chapter 3 of Part 2 of Division 1 of the Insurance Code. As used herein, “general partnership” means a “partnership” as defined in subdivision (7) of Section 16101; “business trust” means a business organization formed as a trust; “real estate investment trust” means a “real estate investment trust” as defined in subsection (a) of Section 856 of the Internal Revenue Code of 1986, as amended; and “unincorporated association” has the meaning set forth in Section 18035.

SEC. 7. Section 15800 of the Corporations Code is amended to read:

15800. (a) Every partnership, other than a foreign limited partnership subject to Chapter 3 (commencing with Section 15611) or a commercial or banking partnership established and transacting business in a place without the United States, that is domiciled without this state and has no regular place of business within this state, shall, within 40 days from the time it commences to do business in this state, file a statement in the office of the Secretary of State in accordance with Section 16309 designating some natural person or corporation as the agent of the partnership upon whom process issued by authority of or under any law of this state directed against the partnership may be served. A copy of the designation, duly certified by the Secretary of State, is sufficient evidence of the appointment.

(b) The process may be served in the manner provided in subdivision (b) of Section 16310 on the person so designated, or, in the event that no person has been designated, or if the agent designated for the service of process is a natural person and cannot be found with due diligence at the



address stated in the designation, or if the agent is a corporation and no person can be found with due diligence to whom the delivery authorized by subdivision (b) of Section 16310 may be made for the purpose of delivery to the corporate agent, or if the agent designated is no longer authorized to act, then service may be made by personal delivery to the Secretary of State, Assistant Secretary of State, or a Deputy Secretary of State of the process, together with a written statement signed by the party to the action seeking the service, or by the party's attorney, setting forth the last known address of the partnership and a service fee as set forth in Section 12197 of the Government Code. The Secretary of State shall immediately give notice of the service to the partnership by forwarding the process to it by registered mail, return receipt requested, at the address given in the written statement.

(c) Service on the person designated, or personal delivery of the process and statement of address together with a service fee as set forth in Section 12197 of the Government Code to the Secretary of State, Assistant Secretary of State, or a Deputy Secretary of State, pursuant to this section is a valid service on the partnership. The partnership so served shall appear within 30 days after service on the person designated or within 30 days after delivery of the process to the Secretary of State, Assistant Secretary of State, or a Deputy Secretary of State.

SEC. 8. Section 16309 is added to the Corporations Code, to read:

16309. (a) The statement of partnership authority may designate an agent for service of process. The agent may be an individual residing in this state or a corporation that has complied with Section 1505 and whose capacity to act as an agent has not terminated. If an individual is designated, the statement shall include that person's complete business or residence address in this state.

(b) An agent designated for service of process may file with the Secretary of State a signed and acknowledged written statement of resignation as an agent. On filing of the statement of resignation, the authority of the agent to act in that capacity shall cease and the Secretary of State shall give written notice of the filing of the statement of resignation by mail to the partnership, addressed to its principal executive office.

(c) If an individual who has been designated agent for service of process dies or resigns or no longer resides in the state, or if the corporate agent for that purpose resigns, dissolves, withdraws from the state, forfeits its right to transact intrastate business, has its corporate rights, powers, and privileges suspended, or ceases to exist, the partnership or foreign partnership shall promptly file an amended statement of partnership authority, designating a new agent.

SEC. 9. Section 16310 is added to the Corporations Code, to read:



16310. (a) If a partnership has designated an agent for service of process, process may be served on the partnership as provided in this section and in Chapter 4 (commencing with Section 413.10) of Title 5 of Part 2 of the Code of Civil Procedure.

(b) Personal service of a copy of any process against the partnership by delivery to an individual designated by it as agent, or if the designated agent is a corporation, to a person named in the latest certificate of the corporate agent filed pursuant to Section 1505 at the office of the corporate agent, shall constitute valid service on the partnership.

(c) No change in the address of the agent for service of process or appointment of a new agent for service of process shall be effective until an amendment to the statement of partnership authority is filed.

(d) (1) If an agent for service of process has resigned and has not been replaced, or if the designated agent cannot with reasonable diligence be found at the address designated for personal delivery of the process, and it is shown by affidavit to the satisfaction of the court that process against a partnership cannot be served with reasonable diligence upon the designated agent by hand in the manner provided in Section 415.10, subdivision (a) of Section 415.20, or subdivision (a) of Section 415.30 of the Code of Civil Procedure, the court may make an order that the service shall be made on a partnership by delivering by hand to the Secretary of State, or to any person employed in the Secretary of State's office in the capacity of assistant or deputy, one copy of the process for each defendant to be served, together with a copy of the order authorizing the service. Service in this manner shall be deemed complete on the 10th day after delivery of the process to the Secretary of State.

(2) Upon receipt of the copy of process and the fee for service, the Secretary of State shall give notice of the service of the process to the partnership, at its principal executive office, by forwarding to that office, by registered mail with request for return receipt, the copy of the process.

(3) The Secretary of State shall keep a record of all process served on the Secretary of State under this section and shall record therein the time of service and the action taken by the Secretary of State. A certificate under the Secretary of State's official seal, certifying to the receipt of process, the giving of notice to the partnership, and the forwarding of the process pursuant to this section, shall be competent and prima facie evidence of the service of process.

SEC. 10. Part 1 (commencing with Section 18000) is added to Title 3 of the Corporations Code, to read:



PART 1. GENERAL PROVISIONS

CHAPTER 1. DEFINITIONS

18000. Unless the provision or context otherwise requires, the definitions in this chapter govern the construction of this title.

18005. “Director” means a natural person serving as a member of the board or other representative governing body of the unincorporated association.

18010. “Governing principles” means the principles stated in the constitution, articles of association, bylaws, regulations, or other writing that governs the purpose or operation of an unincorporated association, or the rights or obligations of its members. If there is no written provision governing an issue, the association’s governing principles regarding that issue may be inferred from its established practices. For the purpose of this section, “established practices” means the practices used by an unincorporated association without material change or exception during the most recent five years of its existence, or if it has existed for less than five years, during its entire existence.

18015. (a) If the governing principles of an unincorporated association define the membership of the association, “member” has the meaning provided by the governing principles.

(b) If the governing principles of an unincorporated association do not define the membership of the association, “member” means a person who, pursuant to the governing principles of the unincorporated association, has a right to participate in the selection of persons authorized to manage the affairs of the unincorporated association or in the development of policy of the unincorporated association, but does not include a person who participates solely as director, officer, or agent of the association.

18020. (a) “Nonprofit association” means an unincorporated association with a primary common purpose other than to operate a business for profit.

(b) A nonprofit association may carry on a business for profit and apply any profit that results from the business activity to any activity in which it may lawfully engage.

18025. “Officer” means a natural person serving as an unincorporated association’s chair, president, secretary, chief financial officer, or other position of authority that is established pursuant to the association’s governing principles.

18030. “Person” includes a natural person, corporation, partnership, or other unincorporated organization, government, or governmental subdivision or agency, or any other entity.



18035. (a) “Unincorporated association” means an unincorporated group of two or more persons joined by mutual consent for a common lawful purpose, whether organized for profit or not.

(b) Joint tenancy, tenancy in common, community property, or other form or property tenure does not by itself establish an unincorporated association, even if coowners share ownership of the property for a common purpose.

(c) Marriage or creation of a registered domestic partnership does not by itself establish an unincorporated association.

CHAPTER 2. APPLICATION OF TITLE

18055. This title does not apply to any of the following persons:

- (a) A corporation.
- (b) A government or governmental subdivision or agency.
- (c) A partnership or joint venture.
- (d) A limited liability company.
- (e) A labor organization, labor federation, labor council, or labor committee, that is governed by a constitution or bylaws. As used in this subdivision, “labor organization” means any organization of any kind, or any agency or employee representation committee or plan, where employees participate and which exists for the purpose, in whole or in part, of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work.

18060. If a statute specific to a particular type of unincorporated association is inconsistent with a general provision of this title, the specific statute prevails to the extent of the inconsistency.

18065. Except to the extent this title provides a specific rule, the general law of agency, including Article 2 (commencing with Section 2019) of Chapter 2 of Title 6 of, and Title 9 (commencing with Section 2295) of, Part 4 of Division 3 of the Civil Code, applies to an unincorporated association.

18070. A provision of this title, insofar as it is substantially the same as a previously existing provision relating to the same subject matter, shall be considered as a restatement and continuation thereof and not as a new enactment, and a reference in a statute to the provision shall be deemed to include a reference to the previously existing provision unless a contrary intent appears.

CHAPTER 3. PROPERTY

18100. The interest of a member in an unincorporated association is personal property.



18105. An unincorporated association may, in its name, acquire, hold, manage, encumber, or transfer an interest in real or personal property.

18110. Property acquired by or for an unincorporated association is property of the unincorporated association and not of the members individually.

18115. The acquisition, transfer, or encumbrance of an interest in real property by an unincorporated association shall be executed by its president and secretary or other comparable officers, or by a person specifically designated by a resolution adopted by the association, or by a committee or other body or person authorized to act by the governing principles of the association.

18120. (a) An unincorporated association may record in a county in which it has an interest in real property a verified and acknowledged statement of authority stating the name of the association, and the names, title, or capacity of its officers and other persons who are authorized on its behalf to acquire, transfer, or encumber real property. For the purposes of this section, “statement of authority” includes a certified copy of a statement recorded in another county.

(b) An unincorporated association may revoke a statement of authority by recording either of the following documents in the county in which the statement of authority is recorded:

(1) A new statement of authority that satisfies the requirements of subdivision (a). The new statement supersedes the revoked statement.

(2) A verified and acknowledged document that expressly revokes the statement of authority.

(c) It shall be conclusively presumed in favor of a bona fide transferor, or purchaser, or encumbrancer for value of real property of the association located in the county in which a statement of authority has been recorded pursuant to subdivision (a), that a person designated in the statement is authorized to acquire, transfer, or encumber real property on behalf of the association.

(d) The presumption provided in subdivision (c) does not apply if, before the acquisition, transfer, or encumbrance, either of the following occurs:

(1) The statement of authority is revoked by the unincorporated association.

(2) A person claiming to be a member, director, or officer of the unincorporated association records, in the county in which the property is located, a verified and acknowledged document stating that the statement of authority is erroneous or unauthorized.

18125. No limitation on the power of an unincorporated association to acquire, hold, manage, pledge, encumber, or transfer an interest in real



or personal property, or the manner of exercise of those powers, shall be asserted as between the unincorporated association or a member of the unincorporated association and a third person, except in the following proceedings:

(a) A proceeding to enjoin an unauthorized act, or the continuation of an unauthorized act, where a third person has not yet acquired rights that would be adversely affected by the injunction, or where, at the time of the unauthorized act, the third person had actual knowledge that the act was unauthorized.

(b) A proceeding to dissolve the unincorporated association.

(c) A proceeding against a director, officer, or agent of the unincorporated association for violation of that person's authority.

18130. After all of the known debts and liabilities of an unincorporated association in the process of winding up its affairs have been paid or adequately provided for, the assets of the association shall be distributed in the following manner:

(a) Assets held upon a valid condition requiring return, transfer, or conveyance of the assets, which condition has occurred or will occur, shall be returned, transferred, or conveyed in accordance with the condition.

(b) After complying with subdivision (a), any remaining assets that are held in trust shall be distributed in accordance with the trust.

(c) After complying with subdivisions (a) and (b), any remaining assets shall be distributed in accordance with the governing principles of the association. If the governing principles do not provide the manner of distribution of the assets, the assets shall be distributed pro rata to the current members of the association.

18135. (a) Notwithstanding Section 18260, a cause of action against an unincorporated association may be enforced against a person who received assets distributed under Section 18130. Liability under this section shall be limited to the value of the assets distributed to the person or the person's pro rata share of the claim against the unincorporated association, whichever is less.

(b) An action under this section shall be commenced before the earlier of the following dates:

(1) Expiration of the statute of limitations applicable to the cause of action.

(2) Four years after dissolution of the unincorporated association. This paragraph does not apply in a quiet title action.



CHAPTER 4. DESIGNATION OF AGENT FOR SERVICE OF PROCESS

18200. (a) An unincorporated association may file with the Secretary of State, on a form prescribed by the Secretary of State, a statement containing either of the following:

(1) A statement designating the location and complete address of the unincorporated association's principal office in this state. Only one place may be designated.

(2) A statement (A) designating the location and complete address of the unincorporated association's principal office in this state in accordance with paragraph (1) or, if the unincorporated association does not have an office in this state, designating the complete address of the unincorporated association to which the Secretary of State shall send any notices required to be sent to the association under Sections 18210 and 18215, and (B) designating as agent of the association for service of process any natural person residing in this state or any corporation that has complied with Section 1505 and whose capacity to act as an agent has not terminated.

(b) If a natural person is designated as agent for service of process, the statement shall include the person's complete business or residence address. If a corporate agent is designated, no address for it shall be included.

(c) Filing is deemed complete on acceptance by the Secretary of State of the statement, a copy of the statement, and the filing fee. The Secretary of State shall return the copy of the statement to the unincorporated association, with notations that indicate the file number and filing date of the original.

(d) At any time, an unincorporated association that has filed a statement under this section may file a new statement superseding the last previously filed statement. If the new statement does not designate an agent for service of process, the filing of the new statement shall be deemed to revoke the designation of an agent previously designated. A statement filed under this section expires five years from December 31 following the date it was filed in the office of the Secretary of State, unless previously superseded by the filing of a new statement.

(e) Delivery by hand of a copy of any process against the unincorporated association (1) to any natural person designated by it as agent, or (2) if the association has designated a corporate agent, to any person named in the last certificate of the corporate agent filed pursuant to Section 1505 at the office of the corporate agent shall constitute valid service on the association.

(f) For filing a statement as provided in this section, the Secretary of State shall charge and collect the fee provided in paragraph (1) of



subdivision (b) of Section 12191 of the Government Code for filing a designation of agent.

(g) Notwithstanding Section 18055, a statement filed by a partnership under former Section 24003 is subject to this chapter until the statement is revoked or expires.

18205. (a) The Secretary of State shall mark each statement filed under Section 18200 with a consecutive file number and the date of filing. In lieu of retaining the original statement, the Secretary of State may retain a copy in accordance with Section 14756 of the Government Code.

(b) The Secretary of State shall index each statement filed under Section 18200 according to the name of the unincorporated association as set out in the statement and shall enter in the index the file number and the address of the association as set out in the statement and, if an agent for service of process is designated in the statement, the name of the agent and, if a natural person is designated as the agent, the address of that person.

(c) Upon request of any person, the Secretary of State shall issue a certificate showing whether, according to the Secretary of State's records, there is on file on the date of the certificate, any presently effective statement filed under Section 18200 for an unincorporated association using a specific name designated by the person making the request. If a statement is on file, the certificate shall include the information required by subdivision (b) to be included in the index. The fee for the certificate is the fee provided in Section 12183 of the Government Code.

(d) When a statement has expired under subdivision (d) of Section 18200, the Secretary of State shall enter that fact in the index together with the date of the expiration.

(e) Four years after a statement has expired, the Secretary of State may destroy or otherwise dispose of the statement and delete information concerning that statement from the index.

18210. (a) An agent designated by an unincorporated association for the service of process may file with the Secretary of State a signed and acknowledged written statement of resignation as agent of the unincorporated association. The resignation is effective when filed. The Secretary of State shall mail written notice of the filing to the unincorporated association at its address set out in the statement filed by the association.

(b) An unincorporated association may at any time file with the Secretary of State a revocation of a designation of an agent for service of process. The revocation is effective when filed.



(c) Notwithstanding subdivisions (a) and (b), service made on an agent designated by an unincorporated association for service of process in the manner provided in subdivision (e) of Section 18200 is effective if made within 30 days after the statement of resignation or the revocation is filed with the Secretary of State.

18215. Between the first day of October and the first day of December immediately preceding the expiration date of a statement filed under Section 18200, the Secretary of State shall send by first-class mail a notice, indicating the date on which the statement will expire and the file number assigned to the statement, to the unincorporated association at its address as set out in the statement. Neither the failure of the Secretary of State to mail the notice as provided in this section nor the failure of the notice to reach the unincorporated association shall continue the statement in effect after the date of its expiration. Neither the state nor any officer or employee of the state is liable for damages for failure to mail the notice as required by this section.

18220. If designation of an agent for the purpose of service of process has not been made as provided in Section 18200, or if the agent designated cannot with reasonable diligence be found at the address specified in the index referred to in Section 18205 for delivery by hand of the process, and it is shown by affidavit to the satisfaction of a court or judge that process against an unincorporated association cannot be served with reasonable diligence upon the designated agent by hand or the unincorporated association in the manner provided for in Section 415.10 or 415.30 of the Code of Civil Procedure or subdivision (a) of Section 415.20 of the Code of Civil Procedure, the court or judge may make an order that service be made upon the unincorporated association by delivery of a copy of the process to one or more of the association's members designated in the order and by mailing a copy of the process to the association at its last known address. Service in this manner constitutes personal service upon the unincorporated association.

CHAPTER 5. LIABILITY AND ENFORCEMENT OF JUDGMENTS

18250. Except as otherwise provided by law, an unincorporated association is liable for its act or omission and for the act or omission of its director, officer, agent, or employee, acting within the scope of the office, agency, or employment, to the same extent as if the association were a natural person.

18260. A money judgment against an unincorporated association, whether organized for profit or not, may be enforced only against the property of the association.



18270. (a) A judgment creditor of a member, director, officer, or agent of an unincorporated association may not levy execution against the assets of the member, director, officer, or agent to satisfy a judgment based on a claim against the unincorporated association unless a judgment based on the same claim has been obtained against the unincorporated association and any of the following conditions is satisfied:

(1) A writ of execution on the judgment against the unincorporated association has been returned unsatisfied in whole or in part.

(2) The unincorporated association is a debtor in bankruptcy.

(3) The member, director, officer, or agent has agreed that the creditor need not exhaust the assets of the unincorporated association.

(4) A court grants permission to the judgment creditor to levy execution against the assets of a member, director, officer, or agent based on a finding that the assets of the unincorporated association subject to execution are clearly insufficient to satisfy the judgment, that exhaustion of the assets of the unincorporated association is excessively burdensome, or that the grant of permission is an appropriate exercise of the court's equitable powers.

(b) Nothing in this section affects the right of a judgment creditor to levy execution against the assets of a member, director, officer, or agent of an unincorporated association if the claim against the member, director, officer, or agent is not based on a claim against the unincorporated association.

SEC. 11. Chapter 1 (commencing with Section 18605) is added to Part 2 of Title 3 of the Corporations Code, to read:

CHAPTER 1. LIABILITY

18605. A member, director, or agent of a nonprofit association is not liable for a debt, obligation, or liability of the association solely by reason of being a member, director, officer, or agent.

18610. A member of a nonprofit association is not liable for a contractual obligation of the association unless one of the following conditions is satisfied:

(a) The member expressly assumes personal responsibility for the obligation in a signed writing that specifically identifies the obligation assumed.

(b) The member expressly authorizes or ratifies the specific contract, as evidenced by a writing. This subdivision does not apply if the member authorizes or ratifies a contract solely in the member's capacity as a director, officer, or agent of the association.



(c) With notice of the contract, the member receives a benefit under the contract. Liability under this subdivision is limited to the value of the benefit received.

(d) The member executes the contract without disclosing that the member is acting on behalf of the association.

(e) The member executes the contract without authority to execute the contract.

18615. A director, officer, or agent of a nonprofit association is not liable for a contractual obligation of the association unless one of the following conditions is satisfied:

(a) The director, officer, or agent expressly assumes responsibility for the obligation in a signed writing that specifically identifies the obligation assumed.

(b) The director, officer, or agent executes the contract without disclosing that the director, officer, or agent is acting on behalf of the association.

(c) The director, officer, or agent executes the contract without authority to execute the contract.

18630. Notwithstanding any other provision of this chapter, a member or person in control of a nonprofit association may be subject to liability for a debt, obligation, or liability of the association under common law principles governing alter ego liability of shareholders of a corporation, taking into account the differences between a nonprofit association and a corporation.

18640. Nothing in this chapter limits application of the Uniform Fraudulent Transfer Act (Chapter 1 (commencing with Section 3439) of Title 2 of Part 2 of Division 4 of the Civil Code).

SEC. 12. Part 1 (commencing with Section 20000) of Title 3 of the Corporations Code is repealed.

SEC. 13. Chapter 1 (commencing with Section 21000) of Part 2 of Title 3 of the Corporations Code is repealed.

SEC. 14. Chapter 2 (commencing with Section 21100) of Part 2 of Title 3 of the Corporations Code is repealed.

SEC. 15. Section 21200 of the Corporations Code is amended to read:

21200. Any unincorporated association that is an organized medical society limiting its membership to licensed physicians and surgeons and that has as members at least 25 percent of the eligible physicians and surgeons residing in the area in which it functions (which must be at least one county) may, without incorporation, purchase, receive, own, hold, lease, mortgage, pledge, or encumber by deed of trust or otherwise, manage and sell all the real estate and other property as may be convenient for the purposes and objects of the association. However, if



the association has less than 100 members, it shall have as members at least a majority of the eligible persons or licensees in the geographic area served by the particular association. The members of that unincorporated association are not individually or personally liable for debts or liabilities contracted or incurred by the association in the acquisition of lands or leases or the purchase, leasing, construction, repairing or furnishing of buildings or other structures to be used for the purposes of the association or for debts or liabilities contracted or incurred by the association in the carrying out or performance of any of its purposes; provided, that the purposes are within the purposes stated in Section 18020.

SEC. 16. The heading of Part 5 (commencing with Section 24000) of Title 3 of the Corporations Code is amended to read:

PART 5. LIABILITY OF DIRECTOR OR OFFICER OF
NONPROFIT MEDICAL ASSOCIATION

SEC. 17. Section 24000 of the Corporations Code is repealed.

SEC. 18. Section 24001 of the Corporations Code is repealed.

SEC. 19. Section 24002 of the Corporations Code is repealed.

SEC. 20. Section 24003 of the Corporations Code is repealed.

SEC. 21. Section 24004 of the Corporations Code is repealed.

SEC. 22. Section 24005 of the Corporations Code is repealed.

SEC. 23. Section 24006 of the Corporations Code is repealed.

SEC. 24. Section 24007 of the Corporations Code is repealed.

SEC. 25. Section 50089 of the Government Code is amended to read:

50089. (a) Any employee organization primarily comprised of peace officers, as described by Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, that is a chapter of, or affiliated directly or indirectly in any manner with, a general nonprofit corporation formed for the specific and primary purpose to act as an employee organization for peace officers in this state that directly or indirectly represents less than 7,000 retired or active peace officers, that has not filed with the Secretary of State an agent of the employee organization who has been designated for purposes of service of process as described in Section 1701, 6410, 8210, 9670, 12610, 18200, or 25550 of the Corporations Code by the effective date of this section, shall not be qualified to be the exclusive or majority bargaining agent, as described in subdivision (a) of Section 3502.5, until January 1, 2007.

(b) Any general nonprofit corporation formed for the specific and primary purpose to act as a recognized employee organization, as defined in subdivision (b) of Section 3501, for peace officers in this state



that directly or indirectly represents less than 7,000 retired or active peace officers, that has any affiliate, chapter, or member that has failed to file with the Secretary of State an agent who has been designated for purposes of service of process by the effective date of this section, shall be prohibited from establishing or recognizing any member, affiliate, or chapter that was not a bona fide member, affiliate, or chapter of the nonprofit corporation as of January 1, 2003, until January 1, 2007.

(c) This section shall not apply to any national organization that directly or indirectly represents retired or active peace officers.

