

ASSEMBLY BILL

No. 1959

Introduced by Assembly Member Tran

February 6, 2006

An act to amend Sections 114, 600, 603, 1301, 1501, 8321, 12591, 15634, 17106, 28501 of the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1959, as introduced, Tran. Corporations.

Existing law sets forth requirements for the governance of various business entities, including, but not limited to, corporations, partnerships, limited liability companies, and capital access companies. Existing law requires specified corporations, partnerships, and limited liability companies to prepare a specified annual report, consisting of, but not limited to, a balance sheet, an income statement, and a statement of changes in financial position accompanied by any report of independent accountants. Existing law requires capital access companies to prepare a specified audit report consisting of, but not limited to, financial statements, including balance sheets, statements of income or loss, statements of changes in capital accounts, and statements of changes in financial position prepared by an independent certified public accountant.

This bill would instead require the specified annual report to consist of a balance sheet, an income statement, and a statement of cash flows or changes in financial position accompanied by any report of independent accountants. The bill would specify that, with regard to the specified audit report for capital access companies, financial statements also include statements of cash flows. The bill would make related, conforming, and technical changes.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

1 SECTION 1. Section 114 of the Corporations Code is
2 amended to read:

3 114. All references in this division to financial statements,
4 balance sheets, income statements, *statements of cash flows*, and
5 statements of changes in financial position of a corporation and
6 all references to assets, liabilities, earnings, retained earnings,
7 and similar accounting items of a corporation mean ~~such those~~
8 financial statements or ~~such comparable statements or~~ items
9 prepared or determined in conformity with generally accepted
10 accounting principles then applicable, fairly presenting in
11 conformity with generally accepted accounting principles the
12 matters ~~which that~~ they purport to present, subject to any specific
13 accounting treatment required by a particular section of this
14 division. Unless otherwise expressly stated, all references in this
15 division to ~~such~~ financial statements mean, in the case of a
16 corporation ~~which that~~ has subsidiaries, consolidated statements
17 of the corporation and ~~such each~~ of its subsidiaries as are
18 required to be included in ~~such the~~ consolidated statements under
19 generally accepted accounting principles then applicable and all
20 references to ~~such~~ accounting items mean ~~such the~~ items
21 determined on a consolidated basis in accordance with ~~such the~~
22 consolidated financial statements. Financial statements other than
23 annual statements may be condensed or otherwise presented as
24 permitted by authoritative accounting pronouncements.

25 SEC. 2. Section 600 of the Corporations Code is amended to
26 read:

27 600. (a) Meetings of shareholders may be held at ~~such any~~
28 place within or without this state as may be stated in or fixed in
29 accordance with the bylaws. If no other place is stated or so
30 fixed, shareholder meetings shall be held at the principal
31 executive office of the corporation. Unless prohibited by the
32 bylaws of the corporation, if authorized by the board of directors
33 in its sole discretion, and subject to the requirement of consent in
34 clause (b) of Section 20 and those guidelines and procedures as
35 the board of directors may adopt, shareholders not physically

1 present in person or by proxy at a meeting of shareholders may,
2 by electronic transmission by and to the corporation (Sections 20
3 and 21) or by electronic video screen communication, participate
4 in a meeting of shareholders, be deemed present in person or by
5 proxy, and vote at a meeting of shareholders whether that
6 meeting is to be held at a designated place or in whole or in part
7 by means of electronic transmission by and to the corporation or
8 by electronic video screen communication, in accordance with
9 subdivision (e).

10 (b) An annual meeting of shareholders shall be held for the
11 election of directors on a date and at a time stated in or fixed in
12 accordance with the bylaws. However, if the corporation is a
13 regulated management company, ~~as defined in Section 23701m~~
14 ~~of the Revenue and Taxation Code~~, a meeting of shareholders
15 shall be held as required by the Federal Investment Company Act
16 of 1940 (15 U.S.C. Sec. 80a-1, et seq.). Any other proper
17 business may be transacted at the annual meeting. *For purposes*
18 *of this subdivision, "regulated management company" means a*
19 *regulated investment company as defined in Section 851 of the*
20 *federal Internal Revenue Code.*

21 (c) If there is a failure to hold the annual meeting for a period
22 of 60 days after the date designated therefor or, if no date has
23 been designated, for a period of 15 months after the organization
24 of the corporation or after its last annual meeting, the superior
25 court of the proper county may summarily order a meeting to be
26 held upon the application of any shareholder after notice to the
27 corporation giving it an opportunity to be heard. The shares
28 represented at ~~such the~~ meeting, either in person or by proxy, and
29 entitled to vote thereat shall constitute a quorum for the purpose
30 of ~~such the~~ meeting, notwithstanding any provision of the articles
31 or bylaws or in this division to the contrary. The court may issue
32 ~~such any~~ orders as may be appropriate, including, without
33 limitation, orders designating the time and place of ~~such the~~
34 meeting, the record date for determination of shareholders
35 entitled to vote, and the form of notice of ~~such the~~ meeting.

36 (d) Special meetings of the shareholders may be called by the
37 board, the chairman of the board, the president ~~or~~, the holders of
38 shares entitled to cast not less than 10 percent of the votes at the
39 meeting, or ~~such any~~ additional persons as may be provided in
40 the articles or bylaws.

1 (e) A meeting of the shareholders may be conducted, in whole
2 or in part, by electronic transmission by and to the corporation or
3 by electronic video screen communication (1) if the corporation
4 implements reasonable measures to provide shareholders (in
5 person or by proxy) a reasonable opportunity to participate in the
6 meeting and to vote on matters submitted to the shareholders,
7 including an opportunity to read or hear the proceedings of the
8 meeting concurrently with those proceedings, and (2) if any
9 shareholder votes or takes other action at the meeting by means
10 of electronic transmission to the corporation or electronic video
11 screen communication, a record of that vote or action is
12 maintained by the corporation. Any request by a corporation to a
13 shareholder pursuant to clause (b) of Section 20 for consent to
14 conduct a meeting of shareholders by electronic transmission by
15 and to the corporation; shall include a notice that, absent consent
16 of the shareholder pursuant to clause (b) of Section 20, the
17 meeting shall be held at a physical location in accordance with
18 subdivision (a).

19 SEC. 3. Section 603 of the Corporations Code is amended to
20 read:

21 603. (a) Unless otherwise provided in the articles, any action
22 that may be taken at any annual or special meeting of
23 shareholders may be taken without a meeting and without prior
24 notice, if a consent in writing, *as specified in Section 195*, setting
25 forth the action so taken, shall be ~~signed~~ *provided* by the holders
26 of outstanding shares having not less than the minimum number
27 of votes that would be necessary to authorize or take that action
28 at a meeting at which all shares entitled to vote thereon were
29 present and voted.

30 (b) Unless the consents of all shareholders entitled to vote
31 have been solicited in writing, both of the following shall apply:

32 (1) Notice of any shareholder approval pursuant to Section
33 310, 317, 1152, 1201 or 2007 without a meeting by less than
34 unanimous written consent shall be given at least 10 days before
35 the consummation of the action authorized by that approval.
36 Notice shall be given as provided in subdivision (b) of Section
37 601.

38 (2) Prompt notice shall be given of the taking of any other
39 corporate action approved by shareholders without a meeting by
40 less than unanimous written consent, to those shareholders

1 entitled to vote who have not consented in writing. Notice shall
2 be given as provided in subdivision (b) of Section 601.

3 (c) Any shareholder giving a written consent, or the
4 shareholder's proxyholders, or a transferee of the shares or a
5 personal representative of the shareholder or their respective
6 proxyholders, may revoke the consent personally or by proxy by
7 a writing received by the corporation prior to the time that
8 written consents of the number of shares required to authorize the
9 proposed action have been filed with the secretary of the
10 corporation, but may not do so thereafter. The revocation is
11 effective upon its receipt by the secretary of the corporation.

12 (d) Notwithstanding subdivision (a), directors may not be
13 elected by written consent except by unanimous written consent
14 of all shares entitled to vote for the election of directors; provided
15 that the shareholders may elect a director to fill a vacancy, other
16 than a vacancy created by removal, by the written consent of a
17 majority of the outstanding shares entitled to vote.

18 SEC. 4. Section 1301 of the Corporations Code is amended to
19 read:

20 1301. (a) If, in the case of a reorganization, any shareholders
21 of a corporation have a right under Section 1300, subject to
22 compliance with paragraphs (3) and (4) of subdivision (b)
23 thereof, to require the corporation to purchase their shares for
24 cash, ~~such~~ that corporation shall mail to each such shareholder a
25 notice of the approval of the reorganization by its outstanding
26 shares (Section 152) within 10 days after the date of ~~such~~ that
27 approval, accompanied by a copy of Sections 1300, 1302, 1303,
28 1304 and this section, a statement of the price determined by the
29 corporation to represent the fair market value of the dissenting
30 shares, and a brief description of the procedure to be followed if
31 the shareholder desires to exercise the shareholder's right under
32 ~~such~~ those sections. The statement of price constitutes an offer by
33 the corporation to purchase at the price stated any dissenting
34 shares as defined in subdivision (b) of Section 1300, unless they
35 lose their status as dissenting shares under Section 1309.

36 (b) Any shareholder who has a right to require the corporation
37 to purchase the shareholder's shares for cash under Section 1300,
38 subject to compliance with paragraphs (3) and (4) of subdivision
39 (b) thereof, and who desires the corporation to purchase ~~such~~
40 shares shall make written demand upon the corporation for the

1 purchase of ~~such~~ those shares and payment to the shareholder in
 2 cash of their fair market value. The demand is not effective for
 3 any purpose unless it is received by the corporation or any
 4 transfer agent thereof (1) in the case of shares described in clause
 5 ~~(i) or (ii)~~(A) or (B) of paragraph (1) of subdivision (b) of Section
 6 1300 (without regard to the provisos in that paragraph), not later
 7 than the date of the shareholders' meeting to vote upon the
 8 reorganization, or (2) in any other case within 30 days after the
 9 date on which the notice of the approval by the outstanding
 10 shares pursuant to subdivision (a) or the notice pursuant to
 11 subdivision (i) of Section 1110 was mailed to the shareholder.

12 (c) The demand shall state the number and class of the shares
 13 held of record by the shareholder which the shareholder demands
 14 that the corporation purchase and shall contain a statement of
 15 what ~~such~~ that shareholder claims to be the fair market value of
 16 those shares as of the day before the announcement of the
 17 proposed reorganization or short-form merger. The statement of
 18 fair market value constitutes an offer by the shareholder to sell
 19 the shares at ~~such~~ that price.

20 SEC. 5. Section 1501 of the Corporations Code is amended to
 21 read:

22 1501. (a) The board shall cause an annual report to be sent to
 23 the shareholders not later than 120 days after the close of the
 24 fiscal year, unless in the case of a corporation with less than 100
 25 holders of record of its shares (determined as provided in Section
 26 605) this requirement is expressly waived in the bylaws. Unless
 27 otherwise provided by the articles or bylaws and if approved by
 28 the board of directors, that report and any accompanying material
 29 sent pursuant to this section may be sent by electronic
 30 transmission by the corporation (Section 20). This report shall
 31 contain a balance sheet as of the end of that fiscal year and an
 32 income statement and a statement of *cash flows or* changes in
 33 financial position for that fiscal year, accompanied by any report
 34 thereon of independent accountants or, if there is no ~~such~~ report,
 35 the certificate of an authorized officer of the corporation that the
 36 statements were prepared without audit from the books and
 37 records of the corporation.

38 Unless so waived, the report shall be sent to the shareholders at
 39 least 15 (or, if sent by third-class mail, 35) days prior to the
 40 annual meeting of shareholders to be held during the next fiscal

1 year, but this requirement shall not limit the requirement for
2 holding an annual meeting as required by Section 600.

3 Notwithstanding Section 114, the financial statements of any
4 corporation with fewer than 100 holders of record of its shares
5 (determined as provided in Section 605) required to be furnished
6 by this subdivision and subdivision (c) are not required to be
7 prepared in conformity with generally accepted accounting
8 principles if they reasonably set forth the assets and liabilities
9 and the income and expense of the corporation and disclose the
10 accounting basis used in their preparation.

11 (b) In addition to the financial statements required by
12 subdivision (a), the annual report of any corporation having 100
13 or more holders of record of its shares (determined as provided in
14 Section 605) either not subject to the reporting requirements of
15 Section 13 of the Securities Exchange Act of 1934, or exempted
16 from those reporting requirements by Section 12(g)(2) of that act,
17 shall also describe briefly both of the following:

18 (1) Any transaction (excluding compensation of officers and
19 directors) during the previous fiscal year involving an amount in
20 excess of forty thousand dollars (\$40,000) (other than contracts
21 let at competitive bid or services rendered at prices regulated by
22 law) to which the corporation or its parent or subsidiary was a
23 party and in which any director or officer of the corporation or of
24 a subsidiary or (if known to the corporation or its parent or
25 subsidiary) any holder of more than 10 percent of the outstanding
26 voting shares of the corporation had a direct or indirect material
27 interest, naming the person and stating the person's relationship
28 to the corporation, the nature of the person's interest in the
29 transaction and, where practicable, the amount of the interest;
30 provided that in the case of a transaction with a partnership of
31 which the person is a partner, only the interest of the partnership
32 need be stated; and provided further that no ~~such~~ report need be
33 made in the case of any transaction approved by the shareholders
34 (Section 153).

35 (2) The amount and circumstances of any indemnification or
36 advances aggregating more than ten thousand dollars (\$10,000)
37 paid during the fiscal year to any officer or director of the
38 corporation pursuant to Section 317; provided that no ~~such~~ report
39 need be made in the case of indemnification approved by the

1 shareholders (Section 153) under paragraph (2) of subdivision (e)
2 of Section 317.

3 (c) If no annual report for the last fiscal year has been sent to
4 shareholders, the corporation shall, upon the written request of
5 any shareholder made more than 120 days after the close of that
6 fiscal year, deliver or mail to the person making the request
7 within 30 days thereafter the financial statements required by
8 subdivision (a) for that year. A shareholder or shareholders
9 holding at least 5 percent of the outstanding shares of any class
10 of a corporation may make a written request to the corporation
11 for an income statement of the corporation for the three-month,
12 six-month or nine-month period of the current fiscal year ended
13 more than 30 days prior to the date of the request and a balance
14 sheet of the corporation as of the end of the period and, in
15 addition, if no annual report for the last fiscal year has been sent
16 to shareholders, the statements referred to in subdivision (a) for
17 the last fiscal year. The statements shall be delivered or mailed to
18 the person making the request within 30 days thereafter. A copy
19 of the statements shall be kept on file in the principal office of
20 the corporation for 12 months and it shall be exhibited at all
21 reasonable times to any shareholder demanding an examination
22 of the statements or a copy shall be mailed to the shareholder.

23 (d) The quarterly income statements and balance sheets
24 referred to in this section shall be accompanied by the report
25 thereon, if any, of any independent accountants engaged by the
26 corporation or the certificate of an authorized officer of the
27 corporation that the financial statements were prepared without
28 audit from the books and records of the corporation.

29 (e) In addition to the penalties provided for in Section 2200,
30 the superior court of the proper county shall enforce the duty of
31 making and mailing or delivering the information and financial
32 statements required by this section and, for good cause shown,
33 may extend the time therefor.

34 (f) In any action or proceeding under this section, if the court
35 finds the failure of the corporation to comply with the
36 requirements of this section to have been without justification,
37 the court may award an amount sufficient to reimburse the
38 shareholder for the reasonable expenses incurred by the
39 shareholder, including attorneys' fees, in connection with the
40 action or proceeding.

1 (g) This section applies to any domestic corporation and also
2 to a foreign corporation having its principal executive office in
3 this state or customarily holding meetings of its board in this
4 state.

5 SEC. 6. Section 8321 of the Corporations Code is amended to
6 read:

7 8321. (a) A corporation shall notify each member yearly of
8 the member's right to receive a financial report pursuant to this
9 subdivision. Except as provided in subdivision (c), upon written
10 request of a member the board shall promptly cause the most
11 recent annual report to be sent to the requesting member. An
12 annual report shall be prepared not later than 120 days after the
13 close of the corporation's fiscal year. Unless otherwise provided
14 by the articles or bylaws and if approved by the board of
15 directors, that report and any accompanying material may be sent
16 by electronic transmission by the corporation (Section 20). That
17 report shall contain in appropriate detail the following:

18 (1) A balance sheet as of the end of ~~such~~ *that* fiscal year and
19 an income statement and *a* statement of *cash flows or* changes in
20 financial position for ~~such~~ *that* fiscal year.

21 (2) A statement of the place where the names and addresses of
22 the current members are located.

23 (3) Any information required by Section 8322.

24 (b) The report required by subdivision (a) shall be
25 accompanied by any report thereon of independent accountants,
26 or, if there is no ~~such~~ report, the certificate of an authorized
27 officer of the corporation that ~~such~~ *the* statements were prepared
28 without audit from the books and records of the corporation.

29 (c) Subdivision (a) does not apply to any corporation ~~which~~
30 *that* receives less than ten thousand dollars (\$10,000) in gross
31 revenues or receipts during the fiscal year.

32 SEC. 7. Section 12591 of the Corporations Code is amended
33 to read:

34 12591. (a) A corporation shall notify each member yearly of
35 the member's right to receive a financial report pursuant to this
36 subdivision. Except as provided in subdivision (c), upon written
37 request of a member the board shall promptly cause the most
38 recent annual report to be sent to the requesting member. An
39 annual report shall be prepared not later than 120 days after the
40 close of the corporation's fiscal year. Unless otherwise provided

1 by the articles or bylaws and if approved by the board of
2 directors, that report and any accompanying material sent
3 pursuant to this section may be sent by electronic transmission by
4 the corporation (Section 20). That report shall contain in
5 appropriate detail the following:

6 (1) A balance sheet as of the end of ~~such that~~ fiscal year and
7 an income statement and *a* statement of *cash flows or* changes in
8 financial position for ~~such that~~ fiscal year.

9 (2) A statement of the place where the names and addresses of
10 the current members are located.

11 (3) Any information required by Section 12592.

12 (b) The report required by subdivision (a) shall be
13 accompanied by any report thereon of independent accountants,
14 or, if there is no ~~such~~ report, the certificate of an authorized
15 officer of the corporation that ~~such the~~ statements were prepared
16 without audit from the books and records of the corporation.

17 (c) This section does not apply to corporations ~~which that~~ do
18 not have more than 25 members at any time during the fiscal
19 year.

20 SEC. 8. Section 15634 of the Corporations Code is amended
21 to read:

22 15634. (a) Upon the request of a limited partner, the general
23 partners shall promptly deliver to the limited partner, at the
24 expense of the partnership, a copy of the information required to
25 be maintained by subdivision (a), (b), or (d) of Section 15615.

26 (b) Each limited partner has the right upon reasonable request
27 to each of the following:

28 (1) Inspect and copy during normal business hours any of the
29 partnership records required to be maintained by Section 15615.

30 (2) Obtain from the general partners, promptly after becoming
31 available, a copy of the limited partnership's federal, state, and
32 local income tax or information returns for each year.

33 (c) In the case of any limited partnership with more than 35
34 limited partners:

35 (1) The general partners shall cause an annual report to be sent
36 to each of the partners not later than 120 days after the close of
37 the fiscal year. That report shall contain a balance sheet as of the
38 end of the fiscal year and an income statement and *a* statement of
39 *cash flows or* changes in financial position for the fiscal year.

1 (2) Limited partners representing at least 5 percent of the
2 interests of limited partners may make a written request to a
3 general partner for an income statement of the limited partnership
4 for the initial three-month, six-month, or nine-month period of
5 the current fiscal year ended more than 30 days prior to the date
6 of the request and a balance sheet of the partnership as of the end
7 of that period. The statement shall be delivered or mailed to the
8 limited partners within 30 days thereafter.

9 (3) The financial statements referred to in this section shall be
10 accompanied by the report thereon, if any, of the independent
11 accountants engaged by the partnership or, if there is no ~~such~~
12 report, the certificate of a general partner of the partnership that
13 ~~such~~ *the* financial statements were prepared without audit from
14 the books and records of the limited partnership.

15 (d) The general partners shall promptly furnish to a limited
16 partner a copy of any amendment to the partnership agreement
17 executed by a general partner pursuant to a power of attorney
18 from the limited partner.

19 (e) The general partners shall send to each of the partners
20 within 90 days after the end of each taxable year ~~such~~ *the*
21 information ~~as is~~ necessary to complete federal and state income
22 tax or information returns, and, in the case of a limited
23 partnership with 35 or fewer limited partners, a copy of the
24 limited partnership's federal, state, and local income tax or
25 information returns for the year.

26 (f) In addition to any other remedies, a court of competent
27 jurisdiction may enforce the duty of making and mailing or
28 delivering the information and financial statements required by
29 this section and, for good cause shown, may extend the time
30 therefor.

31 (g) In any action under this section, if the court finds the
32 failure of the partnership to comply with the requirements of this
33 section to have been without justification, the court may award
34 an amount sufficient to reimburse the partners bringing the action
35 for the reasonable expenses incurred by the partners, including
36 attorneys' fees, in connection with the action or proceeding.

37 (h) Any waiver by a partner of the rights provided in this
38 section shall be unenforceable.

1 (i) Any request, inspection, or copying by a limited partner
2 may be made by the limited partner or by the limited partner's
3 agent or attorney.

4 SEC. 9. Section 17106 of the Corporations Code is amended
5 to read:

6 17106. (a) Upon the request of a member or a holder of an
7 economic interest, for purposes reasonably related to the interest
8 of that person as a member or a holder of an economic interest, a
9 manager shall promptly deliver, in writing, to the member or
10 holder of an economic interest, at the expense of the limited
11 liability company, a copy of the information required to be
12 maintained by paragraphs (1), (2), and (4) of subdivision (a) of
13 Section 17058, and any written operating agreement of the
14 limited liability company.

15 (b) Each member, manager, and holder of an economic
16 interest has the right upon reasonable request, for purposes
17 reasonably related to the interest of that person as a member,
18 manager, or holder of an economic interest, to each of the
19 following:

20 (1) To inspect and copy during normal business hours any of
21 the records required to be maintained by Section 17058.

22 (2) To obtain in writing from the limited liability company
23 promptly after becoming available, a copy of the limited liability
24 company's federal, state, and local income tax or information
25 returns for each year.

26 (c) In the case of any limited liability company with more than
27 35 members:

28 (1) A manager shall cause an annual report to be sent to each
29 of the members not later than 120 days after the close of the
30 fiscal year. That report, which may be sent by electronic
31 transmission by the limited liability company (paragraph (1) of
32 subdivision (o) of Section 17001), shall contain a balance sheet
33 as of the end of the fiscal year and an income statement and a
34 statement of *cash flows or* changes in financial position for the
35 fiscal year.

36 (2) Members representing at least 5 percent of the voting
37 interests of members, or three or more members, may make a
38 written request to a manager for an income statement of the
39 limited liability company for the initial three-month, six-month,
40 or nine-month period of the current fiscal year ended more than

1 30 days prior to the date of the request, and a balance sheet of the
2 limited liability company as of the end of that period. The
3 statement shall be delivered or mailed to the members within 30
4 days thereafter.

5 (3) The financial statements referred to in this section shall be
6 accompanied by the report thereon, if any, of the independent
7 accountants engaged by the limited liability company or, if there
8 is no report, the certificate of a manager of the limited liability
9 company that the financial statements were prepared without
10 audit from the books and records of the limited liability
11 company.

12 (d) A manager shall promptly furnish to a member a copy of
13 any amendment to the articles of organization or operating
14 agreement executed by a manager pursuant to a power of
15 attorney from the member. The articles of organization or
16 operating agreement may be sent by electronic transmission by
17 the limited liability company.

18 (e) The limited liability company shall send or cause
19 information to be sent in writing to each member or holder of an
20 economic interest within 90 days after the end of each taxable
21 year ~~such~~ *the* information ~~as is~~ necessary to complete federal and
22 state income tax or information returns, and, in the case of a
23 limited liability company with 35 or fewer members, a copy of
24 the limited liability company's federal, state, and local income
25 tax or information returns for the year.

26 (f) In addition to any other remedies, a court of competent
27 jurisdiction may enforce the duty of making and mailing or
28 delivering the information and financial statements required by
29 this section and, for good cause shown, may extend the time
30 therefor.

31 (g) In any action under this section, if the court finds the
32 failure of the limited liability company to comply with the
33 requirements of this section is without justification, the court
34 may award an amount sufficient to reimburse the person bringing
35 the action for the reasonable expenses incurred by that person,
36 including attorneys' fees, in connection with the action or
37 proceeding.

38 (h) Any waiver of the rights provided in this section shall be
39 unenforceable.

1 (i) Any request, inspection, or copying by a member or holder
2 of an economic interest may be made by that person or by that
3 person's agent or attorney.

4 SEC. 10. Section 28501 of the Corporations Code is amended
5 to read:

6 28501. Each licensee shall, not more than 90 days after the
7 close of each of its fiscal years or within a longer period that the
8 commissioner may by regulation or order specify, file with the
9 commissioner an audit report containing all of the following:

10 (a) Financial statements (including balance sheets, statements
11 of income or loss, statements of changes in capital accounts, and
12 statements of *cash flows or* changes in financial position or, in
13 the case of a licensee that is a California nonprofit corporation,
14 comparable financial statements) for, or as of, the end of the
15 fiscal year, prepared, with audit, by an independent certified
16 public accountant in accordance with generally accepted
17 accounting principles.

18 (b) A report, certificate, or opinion of the independent certified
19 public accountant or independent public accountant, stating that
20 the financial statements were prepared in accordance with
21 generally accepted accounting principles.

22 (c) Any other information that the commissioner may by
23 regulation or order require.