

AMENDED IN ASSEMBLY APRIL 2, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1233

Introduced by Assembly Member Silva

February 27, 2009

An act to amend Sections 5047, 5047.5, 5062, 5063.5, 5132, 5150, 5151, 5211, 5212, 5213, 5220, 5222, 5231, 6610, 7132, 7150, 7151, 7211, 7212, 7213, 7220, 7222, 7231, 8610, 9132, 9151, 9211, 9212, 9213, 9220, 9222, 9241, 9680, 9916, 12233, 12241, 12242.5, 12330, 12331, 12351, 12352, 12353, 12360, 12362, 12371, 12630, 12694, 18360, and 24001.5 of, to add Sections 5039.5 and 12228.5 to, and to add Article 6 (commencing with Section 9260) to Chapter 2 of Part 4 of Division 2 of Title 1, the Corporations Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1233, as amended, Silva. Nonprofit and consumer cooperative corporations: nonprofit medical associations.

(1) Existing law, the Nonprofit Corporation Law, regulates the organization and operation of nonprofit public benefit corporations, nonprofit mutual benefit corporations, and nonprofit religious corporations. Existing law, the Consumer Cooperative Corporation Law, regulates the organization and operation of consumer cooperatives.

Under those laws, the term "director" is defined as a natural person, designated in the articles or bylaws or elected by the incorporators, as well as natural persons designated, elected or appointed by any other name or title to act as members of the governing body of the corporation.

This bill would specify that a person who does not have authority to act as a member of that governing body is not a director, but if the articles or bylaws provide that a natural person is a director or a member

of the governing body because he or she occupies a certain position, then that person is a director for all purposes.

Existing law authorizes the article of incorporation and bylaws of nonprofit corporations and consumer cooperatives to contain certain provisions, including, but not limited to, a provision requiring that an amendment or repeal of those articles or bylaws be approved in writing by a specified person or persons other than the board. Existing law also authorizes the articles or bylaws to provide for the designation or selection of directors by a specified person or persons rather than by election by a member or members and similarly to authorize a specified person or persons to remove a designated or selected director.

This bill would specify that these approval requirements and designation and selection, and removal entitlements are inapplicable in those circumstances when the specified person or persons have died or ceased to exist, the office or status that created the right or entitlement ceased to exist, or when the corporation has attempted and failed to obtain approval from the specified person or persons.

Under existing law, a majority of the number of directors, authorized in the articles or bylaws, constitutes a quorum for the transaction of business of a nonprofit corporation or a consumer cooperative.

This bill would, subject to certain limitations, authorize the articles or bylaws to require the presence of one or more specified directors in order to constitute a quorum of the board to transact business.

Existing law authorizes a board of a nonprofit corporation or a consumer cooperative to form one or more committees consisting of 2 or more directors to serve at the pleasure of the board and provides that these committees have the authority of the board.

This bill would prohibit a committee exercising the authority of the board from including, as members, persons who are not directors; however, the bill would authorize the board to create other committees with nondirectors that do not exercise the authority of the board.

Existing law requires a nonprofit corporation or consumer cooperative to have a chairman or a president or both, a secretary, a chief financial officer, and other officers as provided in the bylaws or determined by the board.

This bill would require such a corporation to have a chair, as defined, or a president or both, a secretary, a treasurer or a chief financial officer or both, and other officers as provided in the bylaws or determined by the board. The bill would also specify that if there is no chief financial officer, the treasurer is the chief financial officer.

Existing law authorizes a nonprofit corporation or consumer cooperative to elect to voluntarily wind up and dissolve by approval of a majority of the members, as defined, or by approval of the board and approval of the members, as defined.

This bill would authorize such a corporation meeting certain requirements, including the lack of a quorum, to elect to voluntarily wind up and dissolve, as specified.

Under existing law, certain public benefit corporations deemed to be private foundations, as defined, are subject to Federal Internal Revenue Code requirements.

This bill would make those requirements applicable to nonprofit religious corporations deemed to be a private foundation.

(2) Existing law prohibits a cause of action for monetary damages from arising against any director or officer of a nonprofit corporation or a nonprofit medical association, who serves without compensation, on account of any specified negligent act or omission if the nonprofit corporation or nonprofit medical association has a general liability insurance policy in a specified amount that is in force both at the time of the injury and at the time the claim is made.

This bill would instead prohibit those causes of action if these corporations or associations maintain a liability insurance policy that is applicable to the claim.

(3) Existing law regulates unincorporated associations. Existing law authorizes an unincorporated association to merge into a specified corporation, limited partnership, general partnership, or limited liability company.

This bill would authorize an unincorporated association to merge with one of these entities.

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 5039.5 is added to the Corporations Code,
- 2 to read:
- 3 5039.5. The term “chair” includes “chairperson,” “chairman,”
- 4 and “chairwoman.” All references in this division to “chairman”
- 5 shall be deemed to refer to “chair.”
- 6 SEC. 2. Section 5047 of the Corporations Code is amended to
- 7 read:

1 5047. Except where otherwise expressly provided, “directors”
2 means natural persons, designated in the articles or bylaws or
3 elected by the incorporators, and their successors and natural
4 persons designated, elected or appointed by any other name or title
5 to act as members of the governing body of the corporation. A
6 person who does not have authority to act as a member of the
7 governing body of the corporation, including through voting rights
8 as a member of the governing body, is not a director as that term
9 is used in this division regardless of title. However, if the articles
10 or bylaws designate that a natural person is a director or a member
11 of the governing body of the corporation by reason of occupying
12 a specified position within or outside the corporation, that person
13 shall be a director for all purposes and shall have the same rights
14 and obligations, including voting rights, as the other directors.

15 SEC. 3. Section 5047.5 of the Corporations Code is amended
16 to read:

17 5047.5. (a) The Legislature finds and declares that the services
18 of directors and officers of nonprofit corporations who serve
19 without compensation are critical to the efficient conduct and
20 management of the public service and charitable affairs of the
21 people of California. The willingness of volunteers to offer their
22 services has been deterred by a perception that their personal assets
23 are at risk for these activities. The unavailability and unaffordability
24 of appropriate liability insurance makes it difficult for these
25 corporations to protect the personal assets of their volunteer
26 decisionmakers with adequate insurance. It is the public policy of
27 this state to provide incentive and protection to the individuals
28 who perform these important functions.

29 (b) Except as provided in this section, no cause of action for
30 monetary damages shall arise against any person serving without
31 compensation as a director or officer of a nonprofit corporation
32 subject to Part 2 (commencing with Section 5110), Part 3
33 (commencing with Section 7110), or Part 4 (commencing with
34 Section 9110) of this division on account of any negligent act or
35 omission occurring (1) within the scope of that person’s duties as
36 a director acting as a board member, or within the scope of that
37 person’s duties as an officer acting in an official capacity; (2) in
38 good faith; (3) in a manner that the person believes to be in the
39 best interest of the corporation; and (4) is in the exercise of his or
40 her policymaking judgment.

1 (c) This section shall not limit the liability of a director or officer
2 for any of the following:

3 (1) Self-dealing transactions, as described in Sections 5233 and
4 9243.

5 (2) Conflicts of interest, as described in Section 7233.

6 (3) Actions described in Sections 5237, 7236, and 9245.

7 (4) In the case of a charitable trust, an action or proceeding
8 against a trustee brought by a beneficiary of that trust.

9 (5) Any action or proceeding brought by the Attorney General.

10 (6) Intentional, wanton, or reckless acts, gross negligence, or
11 an action based on fraud, oppression, or malice.

12 (7) Any action brought under Chapter 2 (commencing with
13 Section 16700) of Part 2 of Division 7 of the Business and
14 Professions Code.

15 (d) This section only applies to nonprofit corporations organized
16 to provide religious, charitable, literary, educational, scientific,
17 social, or other forms of public service that are exempt from federal
18 income taxation under Section 501(c)(3) or 501(c)(6) of the Internal
19 Revenue Code.

20 (e) This section applies only if the nonprofit corporation
21 maintains a liability insurance policy with an amount of coverage
22 of at least the following amounts:

23 (1) If the corporation's annual budget is less than fifty thousand
24 dollars (\$50,000), the minimum required amount is five hundred
25 thousand dollars (\$500,000).

26 (2) If the corporation's annual budget equals or exceeds fifty
27 thousand dollars (\$50,000), the minimum required amount is one
28 million dollars (\$1,000,000).

29 This section applies only if the claim against the director or
30 officer can also be made directly against the corporation and a
31 liability insurance policy is applicable to the claim. If that policy
32 is found to cover the damages caused by the director or officer,
33 no cause of action as provided in this section shall be maintained
34 against the director or officer.

35 (f) For the purposes of this section, the payment of actual
36 expenses incurred in attending meetings or otherwise in the
37 execution of the duties of a director or officer shall not constitute
38 compensation.

39 (g) Nothing in this section shall be construed to limit the liability
40 of a nonprofit corporation for any negligent act or omission of a

1 director, officer, employee, agent, or servant occurring within the
2 scope of his or her duties.

3 (h) This section does not apply to any corporation that
4 unlawfully restricts membership, services, or benefits conferred
5 on the basis of political affiliation, age, or any characteristic listed
6 or defined in subdivision (b) or (e) of Section 51 of the Civil Code.

7 (i) This section does not apply to any volunteer director or
8 officer who receives compensation from the corporation in any
9 other capacity, including, but not limited to, as an employee.

10 SEC. 4. Section 5062 of the Corporations Code is amended to
11 read:

12 5062. “Officer’s certificate” means a certificate signed and
13 verified by the chair of the board, the president or any vice
14 president and by the secretary, the chief financial officer, the
15 treasurer or any assistant secretary or assistant treasurer.

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

18 5063.5. “Other business entity” means a domestic or foreign
19 limited liability company, limited partnership, general partnership,
20 business trust, real estate investment trust, unincorporated
21 association, or a domestic reciprocal insurer organized after 1974
22 to provide medical malpractice insurance as set forth in Article 16
23 (commencing with Section 1550) of Chapter 3 of Part 2 of Division
24 1 of the Insurance Code. As used herein, “general partnership”
25 means a “partnership” as defined in subdivision (9) of Section
26 16101; “business trust” means a business organization formed as
27 a trust; “real estate investment trust” means a “real estate
28 investment trust” as defined in subsection (a) of Section 856 of
29 the Internal Revenue Code of 1986, as amended; and
30 “unincorporated association” has the meaning set forth in Section
31 18035.

32 SEC. 6. Section 5132 of the Corporations Code is amended to
33 read:

34 5132. (a) The articles of incorporation may set forth any or
35 all of the following provisions, which shall not be effective unless
36 expressly provided in the articles:

37 (1) A provision limiting the duration of the corporation’s
38 existence to a specified date.

1 (2) In the case of a subordinate corporation instituted or created
2 under the authority of a head organization, a provision setting forth
3 either or both of the following:

4 (i) That the subordinate corporation shall dissolve whenever its
5 charter is surrendered to, taken away by, or revoked by the head
6 organization granting it.

7 (ii) That in the event of its dissolution pursuant to an article
8 provision allowed by subdivision (a), paragraph (2), clause (i), of
9 this section, or, in the event of its dissolution for any reason, any
10 assets of the corporation after compliance with the applicable
11 provisions of Chapters 15 (commencing with Section 6510), 16
12 (commencing with Section 6610) and 17 (commencing with
13 Section 6710) shall be distributed to the head organization.

14 (b) Nothing contained in subdivision (a) shall affect the
15 enforceability, as between the parties thereto, of any lawful
16 agreement not otherwise contrary to public policy.

17 (c) The articles of incorporation may set forth any or all of the
18 following provisions:

19 (1) The names and addresses of the persons appointed to act as
20 initial directors.

21 (2) The classes of members, if any, and if there are two or more
22 classes, the rights, privileges, preferences, restrictions and
23 conditions attaching to each class.

24 (3) A provision that would allow any member to have more or
25 less than one vote in any election or other matter presented to the
26 members for a vote.

27 (4) A provision that requires an amendment to the articles, as
28 provided in subdivision (a) of Section 5812, or to the bylaws, and
29 any amendment or repeal of that amendment, to be approved in
30 writing by a specified person or persons other than the board or
31 the members. However, this approval requirement, unless the
32 articles specify otherwise, shall not apply if any of the following
33 circumstances exist:

34 (A) The specified person or persons have died or ceased to exist.

35 (B) If the right of the specified person or persons to approve is
36 in the capacity of an officer, trustee, or other status and the office,
37 trust, or status has ceased to exist.

38 (C) If the corporation has a specific proposal for amendment or
39 repeal, and the corporation has provided written notice of that
40 proposal, including a copy of the proposal, to the specified person

1 or persons at the most recent address for each of them, based on
2 the corporation's records, and the corporation has not received
3 written approval or nonapproval within the period specified in the
4 notice, which shall not be less than 10 nor more than 30 days
5 commencing at least 20 days after the notice has been provided.

6 (5) Any other provision, not in conflict with law, for the
7 management of the activities and for the conduct of the affairs of
8 the corporation, including any provision that is required or
9 permitted by this part to be stated in the bylaws.

10 SEC. 7. Section 5150 of the Corporations Code is amended to
11 read:

12 5150. (a) Except as provided in subdivision (c), and Sections
13 5151, 5220, 5224, 5512, 5613, and 5616, bylaws may be adopted,
14 amended or repealed by the board unless the action would
15 materially and adversely affect the rights of members as to voting
16 or transfer.

17 (b) Bylaws may be adopted, amended or repealed by approval
18 of members (Section 5034); provided, however, that such adoption,
19 amendment or repeal also requires approval by the members of a
20 class if that action would materially and adversely affect the rights
21 of that class as to voting or transfer in a manner different than that
22 action affects another class.

23 (c) The articles or bylaws may restrict or eliminate the power
24 of the board to adopt, amend or repeal any or all bylaws, subject
25 to subdivision (e) of Section 5151.

26 (d) Bylaws may also provide that repeal or amendment of those
27 bylaws, or the repeal or amendment of specified portions of those
28 bylaws, may occur only with the approval in writing of a specified
29 person or persons other than the board or members. However, this
30 approval requirement, unless the bylaws specify otherwise, shall
31 not apply if any of the following circumstances exist:

32 (1) The specified person or persons have died or ceased to exist.

33 (2) If the right of the specified person or persons to approve is
34 in the capacity of an officer, trustee, or other status and the office,
35 trust, or status has ceased to exist.

36 (3) If the corporation has a specific proposal for amendment or
37 repeal, and the corporation has provided written notice of that
38 proposal, including a copy of the proposal, to the specified person
39 or persons at the most recent address for each of them, based on
40 the corporation's records, and the corporation has not received

1 written approval or nonapproval within the period specified in the
2 notice, which shall not be less than 10 nor more than 30 days
3 commencing at least 20 days after the notice has been provided.

4 SEC. 8. Section 5151 of the Corporations Code is amended to
5 read:

6 5151. (a) The bylaws shall set forth (unless that provision is
7 contained in the articles, in which case it may only be changed by
8 an amendment of the articles) the number of directors of the
9 corporation, or the method of determining the number of directors
10 of the corporation, or that the number of directors shall be not less
11 than a stated minimum nor more than a stated maximum with the
12 exact number of directors to be fixed, within the limits specified,
13 by approval of the board or the members (Section 5034), in the
14 manner provided in the bylaws, subject to subdivision (e). The
15 number or minimum number of directors may be one or more.

16 (b) Once members have been admitted, a bylaw specifying or
17 changing a fixed number of directors or the maximum or minimum
18 number or changing from a fixed to a variable board or vice versa
19 may only be adopted by approval of the members (Section 5034).

20 (c) The bylaws may contain any provision, not in conflict with
21 law or the articles, for the management of the activities and for
22 the conduct of the affairs of the corporation, including but not
23 limited to:

24 (1) Any provision referred to in subdivision (c) of Section 5132.

25 (2) The time, place and manner of calling, conducting and giving
26 notice of members', directors' and committee meetings, or of
27 conducting mail ballots.

28 (3) The qualifications, duties and compensation of directors;
29 the time of their election; and the requirements of a quorum for
30 directors' and committee meetings.

31 (4) The appointment and authority of committees.

32 (5) The appointment, duties, compensation and tenure of
33 officers.

34 (6) The mode of determination of members of record.

35 (7) The making of reports and financial statements to members.

36 (8) Setting, imposing and collecting dues, assessments and
37 admission fees.

38 (d) The bylaws may provide for the manner of admission,
39 withdrawal, suspension, and expulsion of members, consistent
40 with the requirements of Section 5341.

(e) The bylaws may require, for any or all corporate actions (except as provided in paragraphs (1) and (2) of subdivision (a) of Section 5222, subdivision (c) of Section 5616, and Section 6610), the vote of a larger proportion of, or all of, the members or the members of any class, unit, or grouping of members, or the vote of a larger proportion of, or all of, the directors, than is otherwise required by this part. Such a provision in the bylaws requiring such greater vote shall not be altered, amended or repealed except by such greater vote, unless otherwise provided in the bylaws.

(f) The bylaws may contain a provision limiting the number of members, in total or of any class, which the corporation is authorized to admit.

SEC. 9. Section 5211 of the Corporations Code is amended to read:

5211. (a) Unless otherwise provided in the articles or in the bylaws, all of the following apply:

(1) Meetings of the board may be called by the chair of the board or the president or any vice president or the secretary or any two directors.

(2) Regular meetings of the board may be held without notice if the time and place of the meetings are fixed by the bylaws or the board. Special meetings of the board shall be held upon four days' notice by first-class mail or 48 hours' notice delivered personally or by telephone, including a voice messaging system or by electronic transmission by the corporation (Section 20). The articles or bylaws may not dispense with notice of a special meeting. A notice, or waiver of notice, need not specify the purpose of any regular or special meeting of the board.

(3) Notice of a meeting need not be given to a director who provides a waiver of notice or consent to holding the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that director. These waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

(4) A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of an adjournment to another time or place shall be given prior to the

1 time of the adjourned meeting to the directors who were not present
2 at the time of the adjournment.

3 (5) Meetings of the board may be held at a place within or
4 without the state that has been designated in the notice of the
5 meeting or, if not stated in the notice or there is no notice,
6 designated in the bylaws or by resolution of the board.

7 (6) Members of the board may participate in a meeting through
8 use of conference telephone, electronic video screen
9 communication or electronic transmission by and to the corporation
10 (Sections 20 and 21). Participation in a meeting through use of
11 conference telephone or electronic video screen communication
12 pursuant to this subdivision constitutes presence in person at that
13 meeting as long as all members participating in the meeting are
14 able to hear one another. Participation in a meeting through use
15 of electronic transmission by and to the corporation, other than
16 conference telephone and electronic video screen communication,
17 pursuant to this subdivision constitutes presence in person at that
18 meeting if both of the following apply:

19 (A) Each member participating in the meeting can communicate
20 with all of the other members concurrently.

21 (B) Each member is provided the means of participating in all
22 matters before the board, including, without limitation, the capacity
23 to propose, or to interpose an objection to, a specific action to be
24 taken by the corporation.

25 (7) A majority of the number of directors authorized in or
26 pursuant to the articles or bylaws constitutes a quorum of the board
27 for the transaction of business. The articles or bylaws may require
28 the presence of one or more specified directors in order to constitute
29 a quorum of the board to transact business, as long as the death of
30 a director or the death or nonexistence of the person or persons
31 otherwise authorized to appoint or designate that director does not
32 prevent the corporation from transacting business in the normal
33 course of events. The articles or bylaws may not provide that a
34 quorum shall be less than one-fifth the number of directors
35 authorized in or pursuant to the articles or bylaws, or less than
36 two, whichever is larger, unless the number of directors authorized
37 in or pursuant to the articles or bylaws is one, in which case one
38 director constitutes a quorum.

39 (8) Subject to the provisions of Sections 5212, 5233, 5234,
40 5235, and subdivision (e) of Section 5238, an act or decision done

1 or made by a majority of the directors present at a meeting duly
2 held at which a quorum is present is the act of the board. The
3 articles or bylaws may not provide that a lesser vote than a majority
4 of the directors present at a meeting is the act of the board. A
5 meeting at which a quorum is initially present may continue to
6 transact business notwithstanding the withdrawal of directors, if
7 any action taken is approved by at least a majority of the required
8 quorum for that meeting, or a greater number required by this
9 division, the articles or the bylaws.

10 (b) An action required or permitted to be taken by the board
11 may be taken without a meeting, if all members of the board shall
12 individually or collectively consent in writing to that action. The
13 written consent or consents shall be filed with the minutes of the
14 proceedings of the board. The action by written consent shall have
15 the same force and effect as a unanimous vote of the directors. For
16 purposes of this subdivision only, “all members of the board” does
17 not include an “interested director” as defined in Section 5233.

18 (c) Each director present and voting at a meeting shall have one
19 vote on each matter presented to the board of directors for action
20 at that meeting. No director may vote at any meeting by proxy.

21 (d) The provisions of this section apply also to incorporators,
22 to committees of the board, and to action by those incorporators
23 or committees *mutatis mutandis*.

24 SEC. 10. Section 5212 of the Corporations Code is amended
25 to read:

26 5212. (a) The board may, by resolution adopted by a majority
27 of the number of directors then in office, provided that a quorum
28 is present, create one or more committees, each consisting of two
29 or more directors, to serve at the pleasure of the board.
30 Appointments to *such* committees shall be by a majority vote of
31 the directors then in office, unless the articles or bylaws require a
32 majority vote of the number of directors authorized in or pursuant
33 to the articles or bylaws. The bylaws may authorize one or more
34 *such* committees, each consisting of two or more directors, and
35 may provide that a specified officer or officers who are also
36 directors of the corporation shall be a member or members of-a
37 *such* committee or committees. The board may appoint one or
38 more directors as alternate members of ~~any~~ *such* committee, who
39 may replace any absent member at any meeting of the committee.
40 ~~Any~~ *Such* committee, to the extent provided in the resolution of

1 the board or in the bylaws, shall have all the authority of the board,
2 except with respect to:

3 (1) The approval of any action for which this part also requires
4 approval of the members (Section 5034) or approval of a majority
5 of all members (Section 5033), regardless of whether the
6 corporation has members.

7 (2) The filling of vacancies on the board or in any committee
8 which has the authority of the board.

9 (3) The fixing of compensation of the directors for serving on
10 the board or on any committee.

11 (4) The amendment or repeal of bylaws or the adoption of new
12 bylaws.

13 (5) The amendment or repeal of any resolution of the board
14 which by its express terms is not so amendable or repealable.

15 (6) The appointment of committees of the board or the members
16 thereof.

17 (7) The expenditure of corporate funds to support a nominee
18 for director after there are more people nominated for director than
19 can be elected.

20 (8) The approval of any self-dealing transaction except as
21 provided in paragraph (3) of subdivision (d) of Section 5233.

22 (b) A committee exercising the authority of the board shall not
23 include as members persons who are not directors. However, the
24 board may create other committees that do not exercise the
25 authority of the board and these other committees may include
26 persons who are not directors.

27 (c) Unless the bylaws otherwise provide, the board may delegate
28 to any committee powers as authorized by Section 5210, but may
29 not delegate the powers set forth in paragraphs (1) to (8), inclusive,
30 of subdivision (a).

31 SEC. 11. Section 5213 of the Corporations Code is amended
32 to read:

33 5213. (a) A corporation shall have a chair of its board, who
34 may be given the title chair of the board, chairperson of the board,
35 chairman of the board, or chairwoman of the board, or a president
36 or both, a secretary, a treasurer or a chief financial officer or both,
37 and any other officers with any titles and duties as shall be stated
38 in the bylaws or determined by the board and as may be necessary
39 to enable it to sign instruments. The president, or if there is no
40 president the chair of the board, is the general manager and chief

1 executive officer of the corporation, unless otherwise provided in
2 the articles or bylaws. Unless otherwise specified in the articles
3 or the bylaws, if there is no chief financial officer, the treasurer is
4 the chief financial officer of the corporation. Any number of offices
5 may be held by the same person unless the articles or bylaws
6 provide otherwise, except that the secretary, the treasurer, or the
7 chief financial officer may not serve concurrently as the president
8 or chair of the board.

9 (b) Except as otherwise provided by the articles or bylaws,
10 officers shall be chosen by the board and serve at the pleasure of
11 the board, subject to the rights, if any, of an officer under any
12 contract of employment. Any officer may resign at any time upon
13 written notice to the corporation without prejudice to the rights, if
14 any, of the corporation under any contract to which the officer is
15 a party.

16 (c) If the articles or bylaws provide for the election of any
17 officers by the members, the term of office of the elected officer
18 shall be one year unless the articles or bylaws provide for a
19 different term which shall not exceed three years.

20 SEC. 12. Section 5220 of the Corporations Code is amended
21 to read:

22 5220. (a) Except as provided in subdivision (d), directors shall
23 be elected for the terms, not longer than four years, as are fixed in
24 the articles or bylaws. However, the terms of directors of a
25 corporation without members may be up to six years. In the absence
26 of any provision in the articles or bylaws, the term shall be one
27 year. The articles or bylaws may provide for staggering the terms
28 of directors by dividing the total number of directors into groups
29 of one or more directors. The terms of office of the several groups
30 and the number of directors in each group need not be uniform.
31 No amendment of the articles or bylaws may extend the term of a
32 director beyond that for which the director was elected, nor may
33 any bylaw provision increasing the terms of directors be adopted
34 without approval of the members (Section 5034).

35 (b) Unless the articles or bylaws otherwise provide, each
36 director, including a director elected to fill a vacancy, shall hold
37 office until the expiration of the term for which elected and until
38 a successor has been elected and qualified, unless the director has
39 been removed from office.

(c) The articles or bylaws may provide for the election of one or more directors by the members of any class voting as a class.

(d) Subdivisions (a) through (c) notwithstanding, all or any portion of the directors authorized in the articles or bylaws of a corporation may hold office by virtue of designation or selection as provided by the articles or bylaws rather than by election by a member or members or the board. Those directors shall continue in office for the term prescribed by the governing article or bylaw provision, or, if there is no term prescribed, until the governing article or bylaw provision is duly amended or repealed, except as provided in subdivision (e) of Section 5222. A bylaw provision authorized by this subdivision may be adopted, amended, or repealed only by approval of the members (Section 5034), subject, if so provided in the bylaws, to the consent of the person or persons entitled to designate or select the director or directors. Unless otherwise provided in the articles or bylaws, the entitlement to designate or select the director or directors shall not apply if any of the following circumstances exist:

(1) The specified person or persons have died or ceased to exist.

(2) If the entitlement of the person or persons to designate is in the capacity of an officer, trustee, or other status and the office, trust, or status has ceased to exist. ~~After this~~

After this death or cessation, the members or, if there are no members, the board shall succeed to this entitlement to designate or select the director or directors.

(e) If a corporation has not issued memberships and (1) all the directors resign, die, or become incompetent, or (2) a corporation's initial directors have not been named in the articles and all incorporators resign, die, or become incompetent before the election of the initial directors, the superior court of any county may appoint directors of the corporation upon application by any party in interest.

SEC. 13. Section 5222 of the Corporations Code is amended to read:

5222. (a) Subject to subdivisions (b) and (f), any or all directors may be removed without cause if:

(1) In a corporation with fewer than 50 members, the removal is approved by a majority of all members (Section 5033).

(2) In a corporation with 50 or more members, the removal is approved by the members (Section 5034).

1 (3) In a corporation with no members, the removal is approved
2 by a majority of the directors then in office.

3 (b) Except for a corporation having no members pursuant to
4 Section 5310:

5 (1) In a corporation in which the articles or bylaws authorize
6 members to cumulate their votes pursuant to subdivision (a) of
7 Section 5616, no director may be removed (unless the entire board
8 is removed) if the votes cast against removal, or not consenting in
9 writing to the removal, would be sufficient to elect the director if
10 voted cumulatively at an election at which the same total number
11 of votes were cast (or, if the action is taken by written ballot, all
12 memberships entitled to vote were voted) and the entire number
13 of directors authorized at the time of the director's most recent
14 election were then being elected.

15 (2) If by the provisions of the articles or bylaws the members
16 of any class, voting as a class, are entitled to elect one or more
17 directors, any director so elected may be removed only by the
18 applicable vote of the members of that class.

19 (3) If by the provisions of the articles or bylaws the members
20 within a chapter or other organizational unit, or region or other
21 geographic grouping, voting as such, are entitled to elect one or
22 more directors, any director so elected may be removed only by
23 the applicable vote of the members within the organizational unit
24 or geographic grouping.

25 (c) Any reduction of the authorized number of directors or any
26 amendment reducing the number of classes of directors does not
27 remove any director prior to the expiration of the director's term
28 of office unless the reduction or any amendment also provides for
29 the removal of one or more specified directors.

30 (d) Except as provided in this section and Sections 5221 and
31 5223, a director may not be removed prior to the expiration of the
32 director's term of office.

33 (e) If a director removed under this section or Section 5221 or
34 5223 was chosen by designation pursuant to subdivision (d) of
35 Section 5220, then:

36 (1) If a different person may be designated pursuant to a
37 governing article or bylaw provision, the new designation shall be
38 made.

1 (2) If the governing article or bylaw provision contains no
2 provision under which a different person may be designated, the
3 governing article or bylaw provision shall be deemed repealed.

4 (f) If by the provisions of the articles or bylaws a person or
5 persons are entitled to designate one or more directors, then:

6 (1) Unless otherwise provided in the articles or bylaws at the
7 time of designation, any director so designated may be removed
8 without cause by the designating person or persons.

9 (2) Any director so designated may only be removed under
10 subdivision (a) with the written consent of the designating person
11 or persons.

12 (3) Unless otherwise provided in the articles or bylaws, the right
13 to remove shall not apply if any of the following circumstances
14 exist:

15 (A) The person or persons entitled to that right have died or
16 ceased to exist.

17 (B) If that right to remove is in the capacity of an officer, trustee,
18 or other status, and the office, trust, or status has ceased to exist.
19 ~~After this~~

20 *After this death or* cessation, the members or, if there are no
21 members, the board shall succeed to this right to remove.

22 SEC. 14. Section 5231 of the Corporations Code is amended
23 to read:

24 5231. (a) A director shall perform the duties of a director,
25 including duties as a member of any committee of the board upon
26 which the director may serve, in good faith, in a manner that
27 director believes to be in the best interests of the corporation and
28 with such care, including reasonable inquiry, as an ordinarily
29 prudent person in a like position would use under similar
30 circumstances.

31 (b) In performing the duties of a director, a director shall be
32 entitled to rely on information, opinions, reports or statements,
33 including financial statements and other financial data, in each
34 case prepared or presented by:

35 (1) One or more officers or employees of the corporation
36 whom the director believes to be reliable and competent in the
37 matters presented;

38 (2) Counsel, independent accountants or other persons as to
39 matters which the director believes to be within that person's
40 professional or expert competence; or

(3) A committee upon which the director does not serve that is composed exclusively of any or any combination of directors, persons described in paragraph (1), or persons described in paragraph (2), as to matters within the committee's designated authority, which committee the director believes to merit confidence, so long as, in any case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause that reliance to be unwarranted.

(c) Except as provided in Section 5233, a person who performs the duties of a director in accordance with subdivisions (a) and (b) shall have no liability based upon any alleged failure to discharge the person's obligations as a director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat a public or charitable purpose to which a corporation, or assets held by it, are dedicated.

SEC. 15. Section 6610 of the Corporations Code is amended to read:

6610. (a) Any corporation may elect voluntarily to wind up and dissolve (1) by approval of a majority of all members (Section 5033) or (2) by approval of the board and approval of the members (Section 5034).

(b) Any corporation which comes within one of the following descriptions may elect by approval of the board to wind up and dissolve:

(1) A corporation which has been adjudicated a bankrupt.

(2) A corporation which has disposed of all of its assets and has not conducted any activity for a period of five years immediately preceding the adoption of the resolution electing to dissolve the corporation.

(3) A corporation which has no members.

(4) A corporation which is required to dissolve under provisions of its articles adopted pursuant to subdivision (a), paragraph (2), clause (i), of Section 5132.

(c) If a corporation comes within one of the descriptions in subdivision (b) and the number of directors then in office is less than a quorum, the corporation may elect to voluntarily wind up and dissolve by any of the following:

(1) The unanimous consent of the directors then in office.

1 (2) The affirmative vote of a majority of the directors then in
2 office at a meeting held pursuant to waiver of notice by those
3 directors complying with subdivision (a) of Section 5211.

4 (3) The vote of a sole remaining director.

5 (d) If a corporation elects to voluntarily wind up and dissolve
6 pursuant to subdivision (c), references to the board in this chapter
7 and Chapter 17 (commencing with Section 6710) shall be deemed
8 to be to a board consisting solely of those directors or that sole
9 director and action by the board shall require at least the same
10 consent or vote as would be required under subdivision (c) for an
11 election to wind up and dissolve.

12 SEC. 16. Section 7132 of the Corporations Code is amended
13 to read:

14 7132. (a) The articles of incorporation may set forth any or
15 all of the following provisions, which shall not be effective unless
16 expressly provided in the articles:

17 (1) A provision limiting the duration of the corporation's
18 existence to a specified date.

19 (2) A provision conferring upon the holders of any evidences
20 of indebtedness, issued or to be issued by a corporation the right
21 to vote in the election of directors and on any other matters on
22 which members may vote under this part even if the corporation
23 does not have members.

24 (3) A provision conferring upon members the right to determine
25 the consideration for which memberships shall be issued.

26 (4) In the case of a subordinate corporation instituted or created
27 under the authority of a head organization, a provision setting forth
28 either or both of the following:

29 (i) That the subordinate corporation shall dissolve whenever its
30 charter is surrendered to, taken away by, or revoked by the head
31 organization granting it.

32 (ii) That in the event of its dissolution pursuant to an article
33 provision allowed by subdivision (a), paragraph (4), clause (i), of
34 this section, or, in the event of its dissolution for any reason, any
35 assets of the corporation after compliance with the applicable
36 provisions of Chapters 15 (commencing with Section 8510), 16
37 (commencing with Section 8610), and 17 (commencing with
38 Section 8710) shall be distributed to the head organization.

1 (b) Nothing contained in subdivision (a) shall affect the
2 enforceability, as between the parties thereto, of any lawful
3 agreement not otherwise contrary to public policy.

4 (c) The articles of incorporation may set forth any or all of the
5 following provisions:

6 (1) The names and addresses of the persons appointed to act as
7 initial directors.

8 (2) Provisions concerning the transfer of memberships, in
9 accordance with Section 7320.

10 (3) The classes of members, if any, and if there are two or more
11 classes, the rights, privileges, preferences, restrictions and
12 conditions attaching to each class.

13 (4) A provision which would allow any member to have more
14 or less than one vote in any election or other matter presented to
15 the members for a vote.

16 (5) A provision that requires an amendment to the articles, as
17 provided in subdivision (a) of Section 7812, or to the bylaws, and
18 any amendment or repeal of that amendment, to be approved in
19 writing by a specified person or persons other than the board or
20 the members. However, this approval requirement, unless the
21 articles specify otherwise, shall not apply if any of the following
22 circumstances exist:

23 (A) The specified person or persons have died or ceased to exist.

24 (B) If the right of the specified person or persons to approve is
25 in the capacity of an officer, trustee, or other status and the office,
26 trust, or status has ceased to exist.

27 (C) If the corporation has a specific proposal for amendment or
28 repeal, and the corporation has provided written notice of that
29 proposal, including a copy of the proposal, to the specified person
30 or persons at the most recent address for each of them, based on
31 the corporation's records, and the corporation has not received
32 written approval or nonapproval within the period specified in the
33 notice, which shall not be less than 10 nor more than 30 days
34 commencing at least 20 days after the notice has been provided.

35 (6) Any other provision, not in conflict with law, for the
36 management of the activities and for the conduct of the affairs of
37 the corporation, including any provision which is required or
38 permitted by this part to be stated in the bylaws.

39 SEC. 17. Section 7150 of the Corporations Code is amended
40 to read:

1 7150. (a) Except as provided in subdivision (c) and Sections
2 7151, 7220, 7224, 7512, 7613, and 7615, bylaws may be adopted,
3 amended or repealed by the board unless the action would:

4 (1) Materially and adversely affect the rights of members as to
5 voting, dissolution, redemption, or transfer;

6 (2) Increase or decrease the number of members authorized in
7 total or for any class;

8 (3) Effect an exchange, reclassification or cancellation of all or
9 part of the memberships; or

10 (4) Authorize a new class of membership.

11 (b) Bylaws may be adopted, amended or repealed by approval
12 of the members (Section 5034); provided, however, that such
13 adoption, amendment or repeal also requires approval by the
14 members of a class if such action would:

15 (1) Materially and adversely affect the rights, privileges,
16 preferences, restrictions or conditions of that class as to voting,
17 dissolution, redemption, or transfer in a manner different than such
18 action affects another class;

19 (2) Materially and adversely affect such class as to voting,
20 dissolution, redemption, or transfer by changing the rights,
21 privileges, preferences, restrictions or conditions of another class;

22 (3) Increase or decrease the number of memberships authorized
23 for such class;

24 (4) Increase the number of memberships authorized for another
25 class;

26 (5) Effect an exchange, reclassification or cancellation of all or
27 part of the memberships of such class; or

28 (6) Authorize a new class of memberships.

29 (c) The articles or bylaws may restrict or eliminate the power
30 of the board to adopt, amend or repeal any or all bylaws, subject
31 to subdivision (e) of Section 7151.

32 (d) Bylaws may also provide that the repeal or amendment of
33 those bylaws, or the repeal or amendment of specified portions of
34 those bylaws, may occur only with the approval in writing of a
35 specified person or persons other than the board or members.
36 However, this approval requirement, unless the bylaws specify
37 otherwise, shall not apply if any of the following circumstances
38 exist:

39 (1) The specified person or persons have died or ceased to exist.

(2) If the right of the specified person or persons to approve is in the capacity of an officer, trustee, or other status and the office, trust, or status has ceased to exist.

(3) If the corporation has a specific proposal for amendment or repeal, and the corporation has provided written notice of that proposal, including a copy of the proposal, to the specified person or persons at the most recent address for each of them, based on the corporation's records, and the corporation has not received written approval or nonapproval within the period specified in the notice, which shall not be less than 10 nor more than 30 days commencing at least 20 days after the notice has been provided.

SEC. 18. Section 7151 of the Corporations Code is amended to read:

7151. (a) The bylaws shall set forth (unless such provision is contained in the articles, in which case it may only be changed by an amendment of the articles) the number of directors of the corporation, or the method of determining the number of directors of the corporation, or that the number of directors shall be not less than a stated minimum nor more than a stated maximum with the exact number of directors to be fixed, within the limits specified, by approval of the board or the members (Section 5034), in the manner provided in the bylaws, subject to subdivision (e). The number or minimum number of directors may be one or more.

(b) Once members have been admitted, a bylaw specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable board or vice versa may only be adopted by approval of the members (Section 5034).

(c) The bylaws may contain any provision, not in conflict with law or the articles, for the management of the activities and for the conduct of the affairs of the corporation, including but not limited to:

(1) Any provision referred to in subdivision (c) of Section 7132.

(2) The time, place and manner of calling, conducting and giving notice of members', directors' and committee meetings, or of conducting mail ballots.

(3) The qualifications, duties and compensation of directors; the time of their election; and the requirements of a quorum for directors' and committee meetings.

1 (4) The appointment of committees, composed of directors or
2 nondirectors or both, by the board or any officer and the authority
3 of any such committees.

4 (5) The appointment, duties, compensation and tenure of
5 officers.

6 (6) The mode of determination of members of record.

7 (7) The making of reports and financial statements to members.

8 (8) Setting, imposing and collecting dues, assessments, and
9 admission and transfer fees.

10 (d) The bylaws may provide for the manner of admission,
11 withdrawal, suspension, and expulsion of members, consistent
12 with the requirements of Section 7341.

13 (e) The bylaws may require, for any or all corporate actions
14 (except as provided in paragraphs (1) and (2) of subdivision (a) of
15 Section 7222, subdivision (c) of Section 7615, and Section 8610)
16 the vote of a larger proportion of, or all of, the members or the
17 members of any class, unit, or grouping of members or the vote
18 of a larger proportion of, or all of, the directors, than is otherwise
19 required by this part. Such a provision in the bylaws requiring such
20 greater vote shall not be altered, amended or repealed except by
21 such greater vote, unless otherwise provided in the bylaws.

22 (f) The bylaws may contain a provision limiting the number of
23 members, in total or of any class, which the corporation is
24 authorized to admit.

25 SEC. 19. Section 7211 of the Corporations Code is amended
26 to read:

27 7211. (a) Unless otherwise provided in the articles or in the
28 bylaws, all of the following apply:

29 (1) Meetings of the board may be called by the chair of the
30 board or the president or any vice president or the secretary or any
31 two directors.

32 (2) Regular meetings of the board may be held without notice
33 if the time and place of the meetings are fixed by the bylaws or
34 the board. Special meetings of the board shall be held upon four
35 days' notice by first-class mail or 48 hours' notice delivered
36 personally or by telephone, including a voice messaging system
37 or by electronic transmission by the corporation (Section 20). The
38 articles or bylaws may not dispense with notice of a special
39 meeting. A notice, or waiver of notice, need not specify the purpose
40 of any regular or special meeting of the board.

(3) Notice of a meeting need not be given to a director who provided a waiver of notice or consent to holding the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that director. These waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

(4) A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of an adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

(5) Meetings of the board may be held at a place within or without the state that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, designated in the bylaws or by resolution of the board.

(6) Members of the board may participate in a meeting through use of conference telephone, electronic video screen communication, or electronic transmission by and to the corporation (Sections 20 and 21). Participation in a meeting through use of conference telephone or electronic video screen communication pursuant to this subdivision constitutes presence in person at that meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through use of electronic transmission by and to the corporation, other than conference telephone and electronic video screen communication, pursuant to this subdivision constitutes presence in person at that meeting if both of the following apply:

(A) Each member participating in the meeting can communicate with all of the other members concurrently.

(B) Each member is provided the means of participating in all matters before the board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

(7) A majority of the number of directors authorized in or pursuant to the articles or bylaws constitutes a quorum of the board for the transaction of business. The articles or bylaws may require the presence of one or more specified directors in order to constitute a quorum of the board to transact business, as long as the death of

1 a director or the death or nonexistence of the person or persons
2 otherwise authorized to appoint or designate that director does not
3 prevent the corporation from transacting business in the normal
4 course of events. The articles or bylaws may not provide that a
5 quorum shall be less than one-fifth the number of directors
6 authorized in or pursuant to the articles or bylaws, or less than
7 two, whichever is larger, unless the number of directors authorized
8 in or pursuant to the articles or bylaws is one, in which case one
9 director constitutes a quorum.

10 (8) Subject to the provisions of Sections 7212, 7233, 7234, and
11 subdivision (e) of Section 7237 and Section 5233, insofar as it is
12 made applicable pursuant to Section 7238, an act or decision done
13 or made by a majority of the directors present at a meeting duly
14 held at which a quorum is present is the act of the board. The
15 articles or bylaws may not provide that a lesser vote than a majority
16 of the directors present at a meeting is the act of the board. A
17 meeting at which a quorum is initially present may continue to
18 transact business notwithstanding the withdrawal of directors, if
19 any action taken is approved by at least a majority of the required
20 quorum for that meeting, or a greater number required by this
21 division, the articles or the bylaws.

22 (b) An action required or permitted to be taken by the board
23 may be taken without a meeting, if all members of the board shall
24 individually or collectively consent in writing to that action. The
25 written consent or consents shall be filed with the minutes of the
26 proceedings of the board. The action by written consent shall have
27 the same force and effect as a unanimous vote of the directors. For
28 purposes of this subdivision only, “all members of the board” does
29 not include an “interested director” as defined in Section 5233,
30 insofar as it is made applicable pursuant to Section 7238.

31 (c) Each director present and voting at a meeting shall have one
32 vote on each matter presented to the board of directors for action
33 at that meeting. No director may vote at any meeting by proxy.

34 (d) This section applies also to incorporators, to committees of
35 the board, and to action by those incorporators or committees
36 *mutatis mutandis*.

37 SEC. 20. Section 7212 of the Corporations Code is amended
38 to read:

39 7212. (a) The board may, by resolution adopted by a majority
40 of the number of directors then in office, provided that a quorum

1 is present, create one or more committees, each consisting of two
2 or more directors, to serve at the pleasure of the board.
3 Appointments to *such* committees shall be by a majority vote of
4 the directors then in office, unless the articles or bylaws require a
5 majority vote of the number of directors authorized in or pursuant
6 to the articles or bylaws. The bylaws may authorize one or more
7 *such* committees, each consisting of two or more directors, and
8 may provide that a specified officer or officers who are also
9 directors of the corporation shall be a member or members of a
10 *such* committee or committees. The board may appoint one or
11 more directors as alternate members of ~~any~~ *such* committee, who
12 may replace any absent member at any meeting of the committee.
13 ~~Any~~ *Such* committee, to the extent provided in the resolution of
14 the board or in the bylaws, shall have all the authority of the board,
15 except with respect to:

16 (1) The approval of any action for which this part also requires
17 approval of the members (Section 5034) or approval of a majority
18 of all members (Section 5033), regardless of whether the
19 corporation has members.

20 (2) The filling of vacancies on the board or in any committee
21 which has the authority of the board.

22 (3) The fixing of compensation of the directors for serving on
23 the board or on any committee.

24 (4) The amendment or repeal of bylaws or the adoption of new
25 bylaws.

26 (5) The amendment or repeal of any resolution of the board
27 which by its express terms is not so amendable or repealable.

28 (6) The appointment of committees of the board or the members
29 thereof.

30 (7) The expenditure of corporate funds to support a nominee
31 for director after there are more people nominated for director than
32 can be elected.

33 (8) With respect to any assets held in charitable trust, the
34 approval of any self-dealing transaction except as provided in
35 paragraph (3) of subdivision (d) of Section 5233.

36 (b) A committee exercising the authority of the board shall not
37 include as members persons who are not directors. However, the
38 board may create other committees that do not exercise the
39 authority of the board and these other committees may include
40 persons who are not directors.

1 (c) Unless the bylaws otherwise provide, the board may delegate
2 to any committee, appointed pursuant to paragraph (4) of
3 subdivision (c) of Section 7151 or otherwise, powers as authorized
4 by Section 7210, but may not delegate the powers set forth in
5 paragraphs (1) to (8), inclusive, of subdivision (a).

6 SEC. 21. Section 7213 of the Corporations Code is amended
7 to read:

8 7213. (a) A corporation shall have a chair of its board, who
9 may be given the title chair of the board, chairperson of the board,
10 chairman of the board, or chairwoman of the board, or a president
11 or both, a secretary, a treasurer or a chief financial officer and any
12 other officers with any titles and duties as shall be stated in the
13 bylaws or determined by the board and as may be necessary to
14 enable it to sign instruments. The president, or if there is no
15 president the chair of the board, is the general manager and chief
16 executive officer of the corporation, unless otherwise provided in
17 the articles or bylaws. Unless otherwise specified in the articles
18 or the bylaws, if there is no chief financial officer, the treasurer is
19 the chief financial officer of the corporation. Any number of offices
20 may be held by the same person unless the articles or bylaws
21 provide otherwise.

22 (b) Except as otherwise provided by the articles or bylaws,
23 officers shall be chosen by the board and serve at the pleasure of
24 the board, subject to the rights, if any, of an officer under any
25 contract of employment. Any officer may resign at any time upon
26 written notice to the corporation without prejudice to the rights, if
27 any, of the corporation under any contract to which the officer is
28 a party.

29 SEC. 22. Section 7220 of the Corporations Code is amended
30 to read:

31 7220. (a) Except as provided in subdivision (d), directors shall
32 be elected for such terms, not longer than four years, as are fixed
33 in the articles or bylaws. However, the terms of directors of a
34 corporation without members may be up to six years. In the absence
35 of any provision in the articles or bylaws, the term shall be one
36 year. The articles or bylaws may provide for staggering the terms
37 of directors by dividing the total number of directors into groups
38 of one or more directors. The terms of office of the several groups
39 and the number of directors in each group need not be uniform.
40 No amendment of the articles or bylaws may extend the term of a

1 director beyond that for which the director was elected, nor may
2 any bylaw provision increasing the terms of directors be adopted
3 without approval of the members (Section 5034).

4 (b) Unless the articles or bylaws otherwise provide, each
5 director, including a director elected to fill a vacancy, shall hold
6 office until the expiration of the term for which elected and until
7 a successor has been elected and qualified, unless the director has
8 been removed from office.

9 (c) The articles or bylaws may provide for the election of one
10 or more directors by the members of any class voting as a class.

11 (d) Subdivisions (a) through (c) notwithstanding, all or any
12 portion of the directors authorized in the articles or bylaws of a
13 corporation may hold office by virtue of designation or selection
14 as provided by the articles or bylaws rather than by election by a
15 member or members or the board. Such directors shall continue
16 in office for the term prescribed by the governing article or bylaw
17 provision, or, if there is no term prescribed, until the governing
18 article or bylaw provision is duly amended or repealed, except as
19 provided in subdivision (e) of Section 7222. A bylaw provision
20 authorized by this subdivision may be adopted, amended, or
21 repealed only by approval of the members (Section 5034). Unless
22 otherwise provided in the articles or bylaws, the entitlement to
23 designate or select the director or directors shall not apply if any
24 of the following circumstances exist:

25 (1) The specified person or persons have died or ceased to exist.

26 (2) If the entitlement of the person or persons to designate is in
27 the capacity of an officer, trustee, or other status and the office,
28 trust, or status has ceased to exist. ~~After this~~

29 *After this death or* cessation, the members or, if there are no
30 members, the board shall succeed to this entitlement to designate
31 or select the director or directors.

32 (e) If a corporation has not issued memberships and (1) all the
33 directors resign, die, or become incompetent, or (2) a corporation's
34 initial directors have not been named in the articles and all
35 incorporators resign, die, or become incompetent before the
36 election of the initial directors, the superior court of any county
37 may appoint directors of the corporation upon application by any
38 party in interest.

39 SEC. 23. Section 7222 of the Corporations Code is amended
40 to read:

1 7222. (a) Subject to subdivisions (b) and (f), any or all directors
2 may be removed without cause if:

3 (1) In a corporation with fewer than 50 members, the removal
4 is approved by a majority of all members (Section 5033).

5 (2) In a corporation with 50 or more members, the removal is
6 approved by the members (Section 5034).

7 (3) In a corporation with no members, the removal is approved
8 by a majority of the directors then in office.

9 (b) Except for a corporation having no members, pursuant to
10 Section 7310:

11 (1) In a corporation in which the articles or bylaws authorize
12 members to cumulate their votes pursuant to subdivision (a) of
13 Section 7615, no director may be removed (unless the entire board
14 is removed) when the votes cast against removal, or not consenting
15 in writing to the removal, would be sufficient to elect the director
16 if voted cumulatively at an election at which the same total number
17 of votes were cast (or, if the action is taken by written ballot, all
18 memberships entitled to vote were voted) and the entire number
19 of directors authorized at the time of the director's most recent
20 election were then being elected.

21 (2) When by the provisions of the articles or bylaws the
22 members of any class, voting as a class, are entitled to elect one
23 or more directors, any director so elected may be removed only
24 by the applicable vote of the members of that class.

25 (3) When by the provisions of the articles or bylaws the
26 members within a chapter or other organizational unit, or region
27 or other geographic grouping, voting as such, are entitled to elect
28 one or more directors, any director so elected may be removed
29 only by the applicable vote of the members within the
30 organizational unit or geographic grouping.

31 (c) Any reduction of the authorized number of directors or any
32 amendment reducing the number of classes of directors does not
33 remove any director prior to the expiration of the director's term
34 of office unless the reduction or amendment also provides for the
35 removal of one or more specified directors.

36 (d) Except as provided in this section and Sections 7221 and
37 7223, a director may not be removed prior to the expiration of the
38 director's term of office.

(e) Where a director removed under this section or Section 7221 or 7223 was chosen by designation pursuant to subdivision (d) of Section 7220, then:

(1) Where a different person may be designated pursuant to the governing article or bylaw provision, the new designation shall be made.

(2) Where the governing article or bylaw provision contains no provision under which a different person may be designated, the governing article or bylaw provision shall be deemed repealed.

(f) When by the provisions of the articles or bylaws a person or persons are entitled to designate one or more directors, then:

(1) Unless otherwise provided in the articles or bylaws at the time of designation, any director so designated may be removed without cause by the designating person or persons.

(2) Any director so designated may only be removed under subdivision (a) with the written consent of the designating person or persons.

(3) Unless otherwise provided in the articles or bylaws, the right to remove shall not apply if any of the following circumstances exist:

(A) The person or persons entitled to that right have died or ceased to exist.

(B) If that right to remove is in the capacity of an officer, trustee, or other status, and the office, trust, or status has ceased to exist.

~~After this~~

After this death or cessation, the members or, if there are no members, the board shall succeed to this right to remove.

SEC. 24. Section 7231 of the Corporations Code is amended to read:

7231. (a) A director shall perform the duties of a director, including duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

(b) In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

1 (1) One or more officers or employees of the corporation whom
2 the director believes to be reliable and competent in the matters
3 presented;

4 (2) Counsel, independent accountants or other persons as to
5 matters which the director believes to be within such person's
6 professional or expert competence; or

7 (3) A committee upon which the director does not serve that is
8 composed exclusively of any or any combination of directors,
9 persons described in paragraph (1), or persons described in
10 paragraph (2), as to matters within the committee's designated
11 authority, which committee the director believes to merit
12 confidence, so long as, in any case, the director acts in good faith,
13 after reasonable inquiry when the need therefor is indicated by the
14 circumstances and without knowledge that would cause such
15 reliance to be unwarranted.

16 (c) A person who performs the duties of a director in accordance
17 with subdivisions (a) and (b) shall have no liability based upon
18 any alleged failure to discharge the person's obligations as a
19 director, including, without limiting the generality of the foregoing,
20 any actions or omissions which exceed or defeat a public or
21 charitable purpose to which assets held by a corporation are
22 dedicated.

23 SEC. 25. Section 8610 of the Corporations Code is amended
24 to read:

25 8610. (a) Any corporation may elect voluntarily to wind up
26 and dissolve (1) by approval of a majority of all members (Section
27 5033), or (2) by approval of the board and approval of the
28 members (Section 5034).

29 (b) Any corporation which comes within one of the following
30 descriptions may elect by approval of the board to wind up and
31 dissolve:

32 (1) A corporation which has been adjudicated as bankrupt.

33 (2) A corporation which has disposed of all of its assets and has
34 not conducted any activity for a period of five years immediately
35 preceding the adoption of the resolution electing to dissolve the
36 corporation.

37 (3) A corporation which has no members.

38 (4) A corporation which is required to dissolve under provisions
39 of its articles adopted pursuant to subdivision (a), paragraph (4),
40 clause (i) of Section 7132.

(c) If a corporation comes within one of the descriptions in subdivision (b) and if the number of directors then in office is less than a quorum, it may elect to voluntarily wind up and dissolve by any of the following:

(1) The unanimous consent of the directors then in office.

(2) The affirmative vote of a majority of the directors then in office at a meeting held pursuant to waiver of notice by those directors complying with paragraph (3) of subdivision (a) of Section 7211.

(3) The vote of a sole remaining director.

(d) If a corporation elects to voluntarily wind up and dissolve pursuant to subdivision (c), references to the board in this chapter and Chapter 17 (commencing with Section 8710) shall be deemed to be to a board consisting solely of those directors or that sole director and action by the board shall require at least the same consent or vote as would be required under subdivision (c) for an election to wind up and dissolve.

SEC. 26. Section 9132 of the Corporations Code is amended to read:

9132. (a) The articles of incorporation may set forth any or all of the following provisions, which shall not be effective unless expressly provided in the articles:

(1) A provision limiting the duration of the corporation's existence to a specified date.

(2) In the case of a subordinate corporation instituted or created under the authority of a head organization, a provision setting forth either or both of the following:

(i) That the subordinate corporation shall dissolve whenever its charter is surrendered to, taken away by, or revoked by the head organization granting it.

(ii) That in the event of its dissolution pursuant to an article provision allowed by subdivision (a), paragraph (2), clause (i), of this section, or, in the event of its dissolution for any reason, any assets of the corporation after compliance with the applicable provisions of Chapters 16 (commencing with Section 6610) and 17 (commencing with Section 6710) (made applicable pursuant to Section 9680) shall be distributed to the head organization.

(b) Nothing contained in subdivision (a) shall affect the enforceability, as between the parties thereto, of any lawful agreement not otherwise contrary to public policy.

1 (c) The articles of incorporation may set forth any or all of the
2 following provisions:

3 (1) The names and addresses of the persons appointed to act as
4 initial directors.

5 (2) The classes of members, if any, and if there are two or more
6 classes, the rights, privileges, preferences, restrictions and
7 conditions attaching to each class.

8 (3) A provision which would allow any member to have more
9 or less than one vote in any election or other matter presented to
10 the members for a vote.

11 (4) A provision that requires an amendment to the articles or to
12 the bylaws, and any amendment or repeal of that amendment, to
13 be approved in writing by a specified person or persons other than
14 the board or the members. However, this approval requirement,
15 unless the articles or the bylaws specify otherwise, shall not apply
16 if any of the following circumstances exist:

17 (A) The specified person or persons have died or ceased to exist.

18 (B) If the right of the specified person or persons to approve is
19 in the capacity of an officer, trustee, or other status and the office,
20 trust, or status has ceased to exist.

21 (C) If the corporation has a specific proposal for amendment or
22 repeal, and the corporation has provided written notice of that
23 proposal, including a copy of the proposal, to the specified person
24 or persons at the most recent address for each of them, based on
25 the corporation's records, and the corporation has not received
26 written approval or nonapproval within the period specified in the
27 notice, which shall not be less than 10 nor more than 30 days
28 commencing at least 20 days after the notice has been provided.

29 (5) Any other provision, not in conflict with law, for the
30 management of the activities and for the conduct of the affairs of
31 the corporation, including any provision which is required or
32 permitted by this part to be stated in the bylaws.

33 SEC. 27. Section 9151 of the Corporations Code is amended
34 to read:

35 9151. (a) The bylaws shall set forth (unless such provision is
36 contained in the articles, in which case it may only be changed by
37 an amendment of the articles) the number of directors of the
38 corporation, or the method of determining the number of directors
39 of the corporation, or that the number of directors shall be not less
40 than a stated minimum nor more than a stated maximum with the

1 exact number of directors to be fixed, within the limits specified,
2 by approval of the board or the members (Section 5034), in the
3 manner provided in the bylaws, subject to subdivision (e) of
4 Section 9151. The number or minimum number of directors may
5 be one or more.

6 (b) Except as otherwise provided in the articles or bylaws, once
7 members have been admitted, a bylaw specifying or changing a
8 fixed number of directors or the maximum or minimum number
9 or changing from a fixed to a variable board or vice versa may
10 only be adopted by approval of the members (Section 5034).

11 (c) The bylaws may contain any provision, not in conflict with
12 law or the articles, for the management of the activities and for
13 the conduct of the affairs of the corporation, including but not
14 limited to:

15 (1) Any provision referred to in subdivision (c) of Section 9132.

16 (2) The time, place and manner of calling, conducting and giving
17 notice of members', directors' and committee meetings, or of
18 conducting mail ballots.

19 (3) The qualifications, duties and compensation of directors;
20 the time of their election; and the requirements of a quorum for
21 directors' and committee meetings.

22 (4) The appointment of committees, composed of directors or
23 nondirectors or both, by the board or any officer and the authority
24 of any such committees.

25 (5) The appointment, duties, compensation and tenure of
26 officers.

27 (6) The mode of determination of members of record.

28 (7) The making of reports and financial statements to members.

29 (8) Setting, imposing and collecting dues, assessments, and
30 admissions and transfer fees.

31 (d) The bylaws may provide for the manner of admission,
32 withdrawal, suspension, and expulsion of members.

33 (e) The bylaws may require, for any or all corporate actions
34 (except as provided in Section 9222 and subdivision (b) of Section
35 9680), the vote of a larger proportion of, or all of, the members or
36 the members of any class, unit, or grouping of members, or the
37 vote of a larger proportion of, or all of, the directors than is
38 otherwise required by this part. Such a provision in the bylaws
39 requiring such greater vote shall not be altered, amended or

1 repealed except by such greater vote, unless otherwise provided
2 in the bylaws.

3 (f) The bylaws may contain a provision limiting the number of
4 members, in total or of any class, which the corporation is
5 authorized to admit.

6 SEC. 28. Section 9211 of the Corporations Code is amended
7 to read:

8 9211. (a) Unless otherwise provided in the articles or in the
9 bylaws, all of the following apply:

10 (1) Meetings of the board may be called by the chair of the
11 board or the president or any vice president or the secretary or any
12 two directors.

13 (2) Regular meetings of the board may be held without notice
14 if the time and place of the meetings are fixed by the bylaws or
15 the board. Special meetings of the board shall be held upon four
16 days' notice by first-class mail or 48 hours' notice delivered
17 personally or by telephone, including a voice messaging system
18 or by electronic transmission by a corporation (Section 20). The
19 articles or bylaws may not dispense with notice of a special
20 meeting. A notice, or waiver of notice, need not specify the purpose
21 of any regular or special meeting of the board.

22 (3) Notice of a meeting need not be given to a director who
23 provided a waiver of notice or consent to holding the meeting or
24 an approval of the minutes thereof in writing, whether before or
25 after the meeting, or who attends the meeting without protesting,
26 prior thereto or at its commencement, the lack of notice to that
27 director. These waivers, consents and approvals shall be filed with
28 the corporate records or made a part of the minutes of the meetings.

29 (4) A majority of the directors present, whether or not a quorum
30 is present, may adjourn any meeting to another time and place.

31 (5) Meetings of the board may be held at a place within or
32 without the state that has been designated in the notice of the
33 meeting or, if not stated in the notice or there is no notice,
34 designated in the bylaws or by resolution of the board.

35 (6) Members of the board may participate in a meeting through
36 use of conference telephone, electronic video screen
37 communication, or electronic transmission by and to the
38 corporation. Participation in a meeting through use of conference
39 telephone or electronic video screen communication pursuant to
40 this subdivision constitutes presence in person at that meeting as

1 long as all members participating in the meeting are able to hear
2 one another. Participation in a meeting through use of electronic
3 transmission by and to the corporation, other than conference
4 telephone and electronic video screen communication pursuant to
5 this subdivision constitutes presence in person at that meeting, if
6 both of the following apply:

7 (A) Each member participating in the meeting can communicate
8 with all of the other members concurrently.

9 (B) Each member is provided the means of participating in all
10 matters before the board, including, without limitation, the capacity
11 to propose, or to interpose an objection to, a specific action to be
12 taken by the corporation.

13 (7) A majority of the number of directors authorized in or
14 pursuant to the articles or bylaws constitutes a quorum of the board
15 for the transaction of business.

16 The articles or bylaws may require the presence of one or more
17 specified directors to constitute a quorum of the board to transact
18 business, as long as the death of a director or the death or
19 nonexistence of the person or persons otherwise authorized to
20 appoint or designate that director does not prevent the corporation
21 from transacting business in the normal course of events.

22 (8) An act or decision done or made by a majority of the
23 directors present at a meeting duly held at which a quorum is
24 present is the act of the board. The articles or bylaws may not
25 provide that a lesser vote than a majority of the directors present
26 at a meeting is the act of the board. A meeting at which a quorum
27 is initially present may continue to transact business
28 notwithstanding the withdrawal of directors, if any action taken is
29 approved by at least a majority of the required quorum for that
30 meeting, or a greater number as is required by this division, the
31 articles or bylaws.

32 (b) An action required or permitted to be taken by the board
33 may be taken without a meeting, if all members of the board shall
34 individually or collectively consent in writing to that action. The
35 written consent or consents shall be filed with the minutes of the
36 proceedings of the board. The action by written consent shall have
37 the same force and effect as a unanimous vote of the directors.

38 (c) Each director present and voting at a meeting shall have one
39 vote on each matter presented to the board of directors for action
40 at that meeting. No director may vote at any meeting by proxy.

(d) This section applies also to incorporators, to committees of the board, and to action by those incorporators or committees *mutatis mutandis*.

SEC. 29. Section 9212 of the Corporations Code is amended to read:

9212. (a) Subject to any provision in the articles or bylaws:

(i) the board may, by resolution adopted by a majority of the number of directors then in office, provided that a quorum is present, create one or more committees, each consisting of two or more directors, to serve at the pleasure of the board; and

(ii) appointments to ~~those~~ *such* committees shall be by a majority vote of the directors then in office. The bylaws may authorize one or more *such* committees, each consisting of two or more directors, and may provide that a specified officer or officers who are also directors of the corporation shall be a member or members of ~~that~~ *such* committee or committees. The board may appoint one or more directors as alternate members of ~~any~~ *such* committee, who may replace any absent member at any meeting of the committee. ~~Any~~ *Such* committee, to the extent provided in the resolution of the board or in the bylaws, shall have all the authority of the board, except with respect to:

(1) The approval of any action for which this part also requires approval of the members (Section 5034) or approval of a majority of all members (Section 5033) regardless of whether the corporation has members.

(2) The filling of vacancies on the board or in any committee which has the authority of the board.

(3) The fixing of compensation of the directors for serving on the board or on any committee.

(4) The amendment or repeal of bylaws or the adoption of new bylaws.

(5) The amendment or repeal of any resolution of the board which by its express terms is not so amendable or repealable.

(6) The appointment of committees of the board or the members thereof.

(b) A committee exercising the authority of the board shall not include as members persons who are not directors. However, the board may create other committees that do not exercise the authority of the board and these other committees may include persons who are not directors.

1 (c) Unless the bylaws otherwise provide, the board may delegate
2 to any committee powers as authorized by Section 9210, but may
3 not delegate the powers set forth in paragraphs (1) to (6), inclusive,
4 of subdivision (a).

5 SEC. 30. Section 9213 of the Corporations Code is amended
6 to read:

7 9213. (a) A corporation shall have a chair of the board, who
8 may be given the title chair of the board, chairman of the board,
9 or chairwoman of the board, or a president or both, a secretary, a
10 treasurer or a chief financial officer and such other officers with
11 such titles and duties as shall be stated in the bylaws or determined
12 by the board and as may be necessary to enable it to sign
13 instruments. The president, or if there is no president, the chair of
14 the board, is the general manager and chief executive officer of
15 the corporation, unless otherwise provided in the articles or bylaws.
16 If there is no chief financial officer, the treasurer is the chief
17 financial officer of the corporation unless otherwise provided in
18 the articles or bylaws. Any number of offices may be held by the
19 same person unless the articles or bylaws provide otherwise, except
20 that the secretary, the treasurer, or the chief financial officer may
21 serve concurrently as the president or chair of the board.

22 (b) Except as otherwise provided by the articles or bylaws,
23 officers shall be chosen by the board and serve at the pleasure of
24 the board, subject to the rights, if any, of an officer under any
25 contract of employment. Any officer may resign at any time upon
26 written notice to the corporation without prejudice to the rights, if
27 any, of the corporation under any contract to which the officer is
28 a party.

29 SEC. 31. Section 9220 of the Corporations Code is amended
30 to read:

31 9220. (a) The articles or bylaws may provide for the tenure,
32 election, selection, designation, removal, and resignation of
33 directors.

34 (b) In the absence of any provision in the articles or bylaws, the
35 term of directors shall be one year.

36 (c) Unless the articles or bylaws otherwise provide, each
37 director, including a director elected to fill a vacancy, shall hold
38 office until the expiration of the term for which elected and until
39 a successor has been elected and qualified, unless the director has
40 been removed from office.

(d) If a corporation has not issued memberships and (1) all the directors resign, die, or become incompetent, or (2) a corporation's initial directors have not been named in the articles and all incorporators resign, die, or become incompetent before the election of the initial directors, the superior court of any county may appoint directors of the corporation upon application by any party in interest.

SEC. 32. Section 9222 of the Corporations Code is amended to read:

9222. (a) Except as provided in the articles or bylaws and subject to subdivision (b) of this section, any or all directors may be removed without cause if the removal is approved by the members (Section 5034).

(b) Except for a corporation having no members pursuant to Section 9310:

(1) When by the provisions of the articles or bylaws the members of any class, voting as a class, are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the members of that class.

(2) When by the provisions of the articles or bylaws the members within a chapter or other organizational unit, or region or other geographic grouping, voting as such, are entitled to elect one or more directors, any director so elected may be removed only by the applicable vote of the members within the organizational unit or geographic grouping.

(c) Any reduction of the authorized number of directors or any amendment reducing the number of classes of directors does not remove any director prior to the expiration of the director's term of office, unless the reduction or the amendment also provides for the removal of one or more specified directors.

SEC. 33. Section 9241 of the Corporations Code is amended to read:

9241. (a) A director shall perform the duties of a director, including duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as is appropriate under the circumstances.

(b) In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements,

1 including financial statements and other financial data, in each
2 case prepared or presented by:

3 (1) One or more officers or employees of the corporation whom
4 the director believes to be reliable and competent in the matters
5 presented;

6 (2) Counsel, independent accountants, or other persons as to
7 matters which the director believes to be within that person's
8 professional or expert competence;

9 (3) A committee upon which the director does not serve that is
10 composed exclusively of any or any combination of directors,
11 persons described in paragraph (1), or persons described in
12 paragraph (2), as to matters within the committee's designated
13 authority, which committee the director believes to merit
14 confidence; or

15 (4) Religious authorities and ministers, priests, rabbis, or other
16 persons whose position or duties in the religious organization the
17 director believes justify reliance and confidence and whom the
18 director believes to be reliable and competent in the matters
19 presented, so long as, in any case, the director acts in good faith,
20 after reasonable inquiry when the need therefor is indicated by the
21 circumstances, and without knowledge that would cause that
22 reliance to be unwarranted.

23 (c) The provisions of this section, and not Section 9243, shall
24 govern any action or omission of a director in regard to the
25 compensation of directors, as directors or officers, or any loan of
26 money or property to or guaranty of the obligation of any director
27 or officer. No obligation, otherwise valid, shall be voidable merely
28 because directors who benefited by a board resolution to pay such
29 compensation or to make such loan or guaranty participated in
30 making such board resolution.

31 (d) Except as provided in Section 9243, a person who performs
32 the duties of a director in accordance with subdivisions (a) and (b)
33 shall have no liability based upon any alleged failure to discharge
34 his or her obligations as a director, including, without limiting the
35 generality of the foregoing, any actions or omissions which exceed
36 or defeat any purpose to which the corporation, or assets held by
37 it, may be dedicated.

38 SEC. 34. Article 6 (commencing with Section 9260) is added
39 to Chapter 2 of Part 4 of Division 2 of Title 1 of the Corporations
40 Code, to read:

Article 6. Compliance with Internal Revenue Code

9260. Any other provision of law notwithstanding, every corporation, during any period or periods that corporation is deemed to be a “private foundation” as defined in Section 509 of the Internal Revenue Code of 1954 as amended by Section 101 of the Tax Reform Act of 1969, shall be subject to the requirements of Section 5260.

SEC. 35. Section 9680 of the Corporations Code is amended to read:

9680. (a) Chapters 16 (commencing with Section 6610) and 17 (commencing with Section 6710) of Part 2 apply to religious corporations except for Sections 6610, 6614, 6710, 6711 and 6716.

(b) (1) Any corporation may elect voluntarily to wind up and dissolve (A) by approval of a majority of all the members (Section 5033) or (B) by approval of the board and approval of the members (Section 5034).

(2) Any corporation which comes within one of the following descriptions may elect by approval of the board to wind up and dissolve:

(A) A corporation which has been adjudicated a bankrupt.

(B) A corporation which has disposed of all its assets and has not conducted any activity for a period of five years immediately preceding the adoption of the resolution electing to dissolve the corporation.

(C) A corporation which has no members.

(D) A corporation which is required to dissolve under provisions of its articles adopted pursuant to subparagraph (i) of paragraph (2) of subdivision (a) of Section 9132.

(3) If a corporation comes within one of the descriptions in paragraph (2) and if the number of directors then in office is less than a quorum, it may elect to voluntarily wind up and dissolve by any of the following:

(A) The unanimous consent of the directors then in office.

(B) The affirmative vote of a majority of the directors then in office at a meeting held pursuant to waiver of notice by those directors complying with paragraph (3) of subdivision (a) of Section 9211.

(C) The vote of a sole remaining director.

1 (4) If a corporation elects to voluntarily wind up and dissolve
2 pursuant to paragraph (3), references to the board in this chapter
3 shall be deemed to be to a board consisting solely of those directors
4 or that sole director and action by the board shall require at least
5 the same consent or vote as would be required under paragraph
6 (3) for an election to wind up and dissolve.

7 (c) If a corporation is in the process of voluntary winding up,
8 the superior court of the proper county, upon the petition of (1)
9 the corporation, or (2) the authorized number (Section 5036), or
10 (3) the Attorney General, or (4) three or more creditors, and upon
11 such notice to the corporation and members and creditors as the
12 court may order, may take jurisdiction over the voluntary winding
13 up proceeding if that appears necessary for the protection of the
14 assets of the corporation. The court, if it assumes jurisdiction, may
15 make such orders as to any and all matters concerning the winding
16 up of the affairs of the corporation and the protection of its creditors
17 and its assets as justice and equity may require. Chapter 15
18 (commencing with Section 6510) (except Sections 6510 and 6511)
19 shall apply to those court proceedings.

20 (d) The powers and duties of the directors (or other persons
21 appointed by the court pursuant to Section 6515) and officers after
22 commencement of a dissolution proceeding include, but are not
23 limited to, the following acts in the name and on behalf of the
24 corporation:

25 (1) To elect officers and to employ agents and attorneys to
26 liquidate or wind up its affairs.

27 (2) To continue the conduct of the affairs of the corporation
28 insofar as necessary for the disposal or winding up thereof.

29 (3) To carry out contracts and collect, pay, compromise, and
30 settle debts and claims for or against the corporation.

31 (4) To defend suits brought against the corporation.

32 (5) To sue, in the name of the corporation, for all sums due or
33 owing to the corporation or to recover any of its property.

34 (6) To collect any amounts remaining unpaid on memberships
35 or to recover unlawful distributions.

36 (7) Subject to the provisions of Section 9142, to sell at public
37 or private sale, exchange, convey, or otherwise dispose of all or
38 any part of the assets of the corporation in an amount deemed
39 reasonable by the board without compliance with Section 9631,

1 and to execute bills of sale and deeds of conveyance in the name
2 of the corporation.

3 (8) In general, to make contracts and to do any and all things
4 in the name of the corporation which may be proper or convenient
5 for the purposes of winding up, settling and liquidating the affairs
6 of the corporation.

7 (e) After complying with Section 6713:

8 (1) Except as provided in Section 6715, all of a corporation's
9 assets shall be disposed of on dissolution in conformity with its
10 articles or bylaws subject to complying with the provisions of any
11 trust under which such assets are held.

12 (2) Except as provided in subdivision (3), the disposition
13 required in subdivision (1) shall be made by decree of the superior
14 court of the proper county. The decree shall be made upon petition
15 therefor, upon 30 days' notice to the Attorney General, by any
16 person concerned in the dissolution.

17 (3) The disposition required in subdivision (1) may be made
18 without the decree of the superior court, subject to the rights of
19 persons concerned in the dissolution, if the Attorney General makes
20 a written waiver of objections to the disposition.

21 (f) A vacancy on the board may be filled during a winding up
22 proceeding in the manner provided in Section 9224.

23 (g) Chapter 15 (commencing with Section 6510) does not apply
24 to religious corporations except to the extent its provisions apply
25 under subdivision (d) of Section 6617, subdivision (c) of Section
26 6719, or subdivision (c) or (d) of this section.

27 SEC. 36. Section 9916 of the Corporations Code is amended
28 to read:

29 9916. Subdivision (a) of Section 5213 of the new public benefit
30 corporation law applies to subject corporations governed by the
31 public benefit corporation law, subdivision (a) of Section 7213 of
32 the new mutual benefit corporation law apply to subject
33 corporations governed by the mutual benefit corporation law, and
34 subdivision (a) of Section 9213 of the new religious corporation
35 law applies to subject corporations governed by the religious
36 corporation law; but the "treasurer" of those corporations shall be
37 deemed to be the "chief financial officer," unless otherwise
38 provided in the articles or bylaws.

39 SEC. 37. Section 12228.5 is added to the Corporations Code,
40 to read:

1 12228.5. The term “chair” includes “chairperson,” “chairman,”
2 and “chairwoman.” For the purposes of this part, all references to
3 “chairman” shall be deemed to refer to “chair.”

4 SEC. 38. Section 12233 of the Corporations Code is amended
5 to read:

6 12233. “Directors” means natural persons, designated in the
7 articles or bylaws or elected by the incorporators, and their
8 successors and natural persons designated, elected, or appointed
9 by any other name or title to act as members of the governing body
10 of the corporation. “Directors” also means alternate directors
11 described in Section 12331. A person who does not have authority
12 to act as a member of the governing body of the corporation,
13 including through voting rights as a member of the governing
14 body, is not a director as that term is used in this part regardless
15 of title. However, if the articles or bylaws designate that a natural
16 person is a director or a member of the governing body of the
17 corporation by reason of occupying a specified position within or
18 outside the corporation, that person shall be a director for all
19 purposes and shall have the same rights and obligations, including
20 voting rights, as the other directors.

21 SEC. 39. Section 12241 of the Corporations Code is amended
22 to read:

23 12241. “Officers' certificate” means a certificate signed and
24 verified by the chair of the board, the president, or any vice
25 president, and by the secretary, the chief financial officer, the
26 treasurer, or any assistant secretary or assistant treasurer.

27 SEC. 40. Section 12242.5 of the Corporations Code is amended
28 to read:

29 12242.5. “Other business entity” means a domestic or foreign
30 limited liability company, limited partnership, general partnership,
31 business trust, real estate investment trust, unincorporated
32 association, or a domestic reciprocal insurer organized after 1974
33 to provide medical malpractice insurance as set forth in Article 16
34 (commencing with Section 1550) of Chapter 3 of Part 2 of Division
35 1 of the Insurance Code. As used herein, “general partnership”
36 means a “partnership” as defined in subdivision (9) of Section
37 16101; “business trust” means a business organization formed as
38 a trust; “real estate investment trust” means a “real estate
39 investment trust” as defined in subsection (a) of Section 856 of
40 the Internal Revenue Code of 1986, as amended; and

1 “unincorporated association” has the meaning set forth in Section
2 18035.

3 SEC. 41. Section 12330 of the Corporations Code is amended
4 to read:

5 12330. (a) Except as provided in subdivision (c) and Sections
6 12331, 12360, 12364, 12462, and 12484, bylaws may be adopted,
7 amended, or repealed by the board unless the action would:

8 (1) Materially and adversely affect the rights or obligations of
9 members as to voting, dissolution, redemption, transfer,
10 distributions, patronage distributions, patronage, property rights,
11 or rights to repayment of contributed capital;

12 (2) Increase or decrease the number or members authorized in
13 total or for any class;

14 (3) Effect an exchange, reclassification or cancellation of all or
15 part of the memberships; or

16 (4) Authorize a new class of membership.

17 (b) Bylaws may be adopted, amended or repealed by approval
18 of the members (Section 12224); provided, however, that adoption,
19 amendment, or repeal also requires approval by the members of a
20 class if that action would:

21 (1) Materially and adversely affect the rights or obligations of
22 that class as to voting, dissolution, redemption, transfer,
23 distributions, patronage distributions, patronage, property rights,
24 or rights to repayment of contributed capital, in a manner different
25 than such action affects another class;

26 (2) Materially and adversely affect such class as to voting,
27 dissolution, redemption, transfer, distributions, patronage
28 distributions, patronage, property rights, or rights to repayment of
29 contributed capital, by changing the rights, privileges, preferences,
30 restrictions or conditions of another class;

31 (3) Increase or decrease the number of memberships authorized
32 for such class;

33 (4) Increase the number of memberships authorized for another
34 class;

35 (5) Effect an exchange, reclassification or cancellation of all or
36 part of the memberships of such class; or

37 (6) Authorize a new class of memberships.

38 (c) The articles or bylaws may restrict or eliminate the power
39 of the board to adopt, amend or repeal any or all bylaws, subject
40 to subdivision (e) of Section 12331.

(d) Bylaws may also provide that repeal or amendment of those bylaws, or the repeal or amendment of specified portions of those bylaws, may occur only with the approval in writing of a specified person or persons other than the board or members. However, this approval requirement, unless the articles or the bylaws specify otherwise, shall not apply if any of the following circumstances exist:

(1) The specified person or persons have died or ceased to exist.

(2) If the right of the specified person or persons to approve is in the capacity of an officer, trustee, or other status and the office, trust, or status has ceased to exist.

(3) If the corporation has a specific proposal for amendment or repeal, and the corporation has provided written notice of that proposal, including a copy of the proposal, to the specified person or persons at the most recent address for each of them, based on the corporation's records, and the corporation has not received written approval or nonapproval within the period specified in the notice, which shall not be less than 10 nor more than 30 days commencing at least 20 days after the notice has been provided.

SEC. 42. Section 12331 of the Corporations Code is amended to read:

12331. (a) The bylaws shall set forth (unless such provision is contained in the articles, in which case it may only be changed by an amendment of the articles) the number of directors of the corporation, or the method of determining the number of directors of the corporation, or that the number of directors shall be not less than a stated minimum or more than a stated maximum with the exact number of directors to be fixed, within the limits specified, by approval of the board or the members (Sections 12222 and 12224), in the manner provided in the bylaws, subject to subdivision (e). The number or minimum number of directors shall not be less than three. Alternate directors may be permitted, in which event, the bylaws shall specify the manner and times of their election and the conditions to their service in place of a director.

(b) Once members have been admitted, a bylaw specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable board or vice versa may only be adopted by approval of the members.

1 (c) The bylaws may contain any provision, not in conflict with
2 law or the articles, for the management of the activities and for
3 the conduct of the affairs of the corporation, including but not
4 limited to:

5 (1) Any provision referred to in subdivision (c) of Section
6 12313.

7 (2) The time, place and manner of calling, conducting and giving
8 notice of members', directors', and committee meetings, or of
9 conducting mail ballots.

10 (3) The qualifications, duties and compensation of directors;
11 the time of their election; and the requirements of a quorum for
12 directors' and committee meetings.

13 (4) The appointment of committees, composed of directors or
14 nondirectors or both, by the board or any officer and the authority
15 of any such committees.

16 (5) The appointment, duties, compensation and tenure of
17 officers.

18 (6) The mode of determination of members of record.

19 (7) The making of reports and financial statements to members.

20 (8) Setting, imposing and collecting dues, assessments, and
21 membership and transfer fees.

22 (9) The time and manner of patronage distributions consistent
23 with this part.

24 (d) The bylaws may provide for eligibility, the manner of
25 admission, withdrawal, suspension, and expulsion of members,
26 and the suspension or termination of memberships consistent with
27 the requirements of Section 12431.

28 (e) The bylaws may require, for any or all corporate actions,
29 the vote of a larger proportion of, or all of, the members or the
30 members of any class, unit, or grouping of members or the vote
31 of a larger proportion of, or all of, the directors, than is otherwise
32 required by this part. Such a provision in the bylaws requiring such
33 greater vote shall not be altered, amended or repealed except by
34 such greater vote, unless otherwise provided in the bylaws.

35 (f) The bylaws may contain a provision limiting the number of
36 members, in total or of any class, which the corporation is
37 authorized to admit.

38 (g) The bylaws may provide for the establishment by the
39 corporation of a program for the education of its members, officers,

1 employees and the general public in the principles and techniques
2 of cooperation.

3 SEC. 43. Section 12351 of the Corporations Code is amended
4 to read:

5 12351. (a) Unless otherwise provided in the articles or in the
6 bylaws:

7 (1) Meetings of the board may be called by the chair of the
8 board or the president or any vice president or the secretary or any
9 two directors.

10 (2) Regular meetings of the board may be held without notice
11 if the time and place of the meetings are fixed by the bylaws or
12 the board. Special meetings of the board shall be held upon four
13 days' notice by first-class mail or 48 hours' notice delivered
14 personally or by telephone, including a voice messaging system
15 or by electronic transmission by the corporation (Section 20). The
16 articles or bylaws may not dispense with notice of a special
17 meeting. A notice, or waiver of notice, need not specify the purpose
18 of any regular or special meeting of the board.

19 (3) Notice of a meeting need not be given to any director who
20 provides a waiver of notice or consent to holding the meeting or
21 an approval of the minutes thereof in writing, whether before or
22 after the meeting, or who attends the meeting without protesting,
23 prior thereto or at its commencement, the lack of notice to that
24 director. All waivers, consents, and approvals shall be filed with
25 the corporate records or made a part of the minutes of the meetings.

26 (4) A majority of the directors present, whether or not a quorum
27 is present, may adjourn any meeting to another time and place. If
28 the meeting is adjourned for more than 24 hours, notice of any
29 adjournment to another time or place shall be given prior to the
30 time of the adjourned meeting to the directors who were not present
31 at the time of the adjournment.

32 (5) Meetings of the board may be held at any place within or
33 without the state which has been designated in the notice of the
34 meeting or, if not stated in the notice or if there is no notice,
35 designated in the bylaws or by resolution of the board.

36 (6) Members of the board may participate in a meeting through
37 use of conference telephone, electronic video screen
38 communication, or electronic transmission by and to the
39 corporation (Sections 20 and 21). Participation in a meeting through
40 use of conference telephone or electronic video screen

1 communication pursuant to this subdivision constitutes presence
2 in person at that meeting as long as all members participating in
3 the meeting are able to hear one another. Participation in a meeting
4 through use of electronic transmission by and to the corporation,
5 other than conference telephone and electronic video screen
6 communication pursuant to this subdivision constitutes presence
7 in person at that meeting if both of the following apply:

8 (A) Each member participating in the meeting can communicate
9 with all of the other members concurrently.

10 (B) Each member is provided the means of participating in all
11 matters before the board, including, without limitation, the capacity
12 to propose, or to interpose an objection to, a specific action to be
13 taken by the corporation.

14 (7) A majority of the number of directors authorized in or
15 pursuant to the articles or bylaws constitutes a quorum of the board
16 for the transaction of business. The articles or bylaws may require
17 the presence of one or more specified directors to constitute a
18 quorum of the board to transact business, as long as the death of
19 a director or the death or nonexistence of the person or persons
20 otherwise authorized to appoint or designate a director does not
21 prevent the corporation from transacting business in the normal
22 course of events. The articles or bylaws may not provide that a
23 quorum shall be less than one-fifth the number of directors
24 authorized in or pursuant to the articles or bylaws, or less than
25 two, whichever is larger.

26 (8) Subject to the provisions of Sections 12352, 12373, 12374,
27 and subdivision (e) of Section 12377, every act or decision done
28 or made by a majority of the directors present at a meeting duly
29 held at which a quorum is present is the act of the board. The
30 articles or bylaws may not provide that a lesser vote than a majority
31 of the directors present at a meeting is the act of the board. A
32 meeting at which a quorum is initially present may continue to
33 transact business notwithstanding the withdrawal of directors, if
34 any action taken is approved by at least a majority of the required
35 quorum for the meeting, or a greater number as is required by this
36 division, the articles or bylaws.

37 (b) Any action required or permitted to be taken by the board
38 may be taken without a meeting, if all members of the board shall
39 individually or collectively consent in writing to that action. Such

1 written consent or consents shall be filed with the minutes of the
2 proceedings of the board.

3 The action by written consent shall have the same force and
4 effect as a unanimous vote of the directors.

5 (c) Each director present and voting at a meeting shall have one
6 vote on each matter presented to the board of directors for action
7 at that meeting. No director may vote at any meeting by proxy.

8 SEC. 44. Section 12352 of the Corporations Code is amended
9 to read:

10 12352. (a) The board may, by resolution adopted by a majority
11 of the number of directors then in office, provided that a quorum
12 is present, create one or more committees, each consisting of two
13 or more directors, to serve at the pleasure of the board.
14 Appointments to ~~those~~ *such* committees shall be by a majority
15 vote of the directors then in office, unless the articles or bylaws
16 require a majority vote of the number of directors authorized in
17 the articles or bylaws. The bylaws may authorize one or more *such*
18 committees, each consisting of two or more directors, and may
19 provide that a specified officer or officers who are also directors
20 of the corporation shall be a member or members of ~~the~~ *such*
21 committee or committees. The board may appoint one or more
22 directors as alternate members of ~~any~~ *such* committee, who may
23 replace any absent member at any meeting of the committee. ~~Any~~
24 *Such* committee, to the extent provided in the resolution of the
25 board or in the bylaws, shall have all the authority of the board,
26 except with respect to:

27 (1) The approval of any action for which this part also requires
28 approval of the members (Section 12224) or approval of a majority
29 of all members (Section 12223) regardless of whether the
30 corporation has members.

31 (2) The filling of vacancies on the board or in any committee
32 which has the authority of the board.

33 (3) The fixing of compensation of the directors for serving on
34 the board or on any committee.

35 (4) The amendment or repeal of bylaws or the adoption of new
36 bylaws.

37 (5) The amendment or repeal of any resolution of the board
38 which by its express terms is not so amendable or repealable.

39 (6) The appointment of committees of the board or the members
40 thereof.

1 (7) The expenditure of corporate funds to support a nominee
2 for director after there are more people nominated for director than
3 can be elected.

4 (b) A committee exercising the authority of the board shall not
5 include as members persons who are not directors. The board may
6 create other committees that do not exercise the authority of the
7 board and these other committees may include persons who are
8 not directors.

9 (c) Unless the bylaws otherwise provide, the board may delegate
10 to any committee, appointed pursuant to paragraph (4) of
11 subdivision (c) of Section 12331 or otherwise, powers as authorized
12 by Section 12350, but may not delegate the powers set forth in
13 paragraphs (1) through (7) of subdivision (a) of this section.

14 SEC. 45. Section 12353 of the Corporations Code is amended
15 to read:

16 12353. (a) A corporation shall have a chair of the board, who
17 may be given the title chair of the board, chairperson of the board,
18 chairman of the board, or chairwoman of the board, or a president
19 or both, a secretary, a treasurer or a chief financial officer, or both,
20 and any other officers with any titles and duties as shall be stated
21 in the bylaws or determined by the board and as may be necessary
22 to enable it to sign instruments. The president, or if there is no
23 president the chair of the board, is the chief executive officer of
24 the corporation, unless otherwise provided in the articles or bylaws.
25 If there is no chief financial officer, the treasurer is the chief
26 financial officer of the corporation, unless otherwise provided for
27 in the articles or bylaws. Any number of offices may be held by
28 the same person unless the articles or bylaws provide otherwise.
29 Either the chair of the board or the president shall be elected from
30 among those board members elected by the membership of the
31 corporation.

32 (b) Except as otherwise provided by the articles or bylaws,
33 officers shall be chosen by the board and serve at the pleasure of
34 the board, subject to the rights, if any, of an officer under any
35 contract of employment. Any officer may resign at any time upon
36 written notice to the corporation without prejudice to the rights, if
37 any, of the corporation under any contract to which the officer is
38 a party.

39 SEC. 46. Section 12360 of the Corporations Code is amended
40 to read:

12360. (a) Except as provided in subdivision (d), directors shall be elected for such terms, not longer than four years, as are fixed in the articles or bylaws. In the absence of any provision in the articles or bylaws, the terms shall be one year. No amendment of the articles or bylaws may extend the term of a director beyond that for which the director was elected, nor may any bylaw provision increasing the terms of directors be adopted without approval of the members.

(b) Unless the articles or bylaws otherwise provide, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified, unless the director has been removed from office.

(c) The articles or bylaws may prescribe requirements for eligibility for election as a director.

(d) Subdivisions (a) through (c) notwithstanding, all or any portion of the directors authorized in the articles or bylaws of a corporation may hold office by virtue of designation or selection as provided by the articles or bylaws rather than by election by a member or members. Such directors shall continue in office for the term prescribed by the governing article or bylaw provision, or, if there is no term prescribed, until the governing article or bylaw provision is duly amended or repealed, except as provided in subdivision (f) of Section 12362. A bylaw provision authorized by this subdivision may be adopted, amended, or repealed only by approval of the members (Section 12224). Unless otherwise provided in the articles or bylaws, the entitlement to designate or select the director or directors shall not apply if any of the following circumstances exist:

(1) The specified person or persons have died or ceased to exist.

(2) If the entitlement of the person or persons to designate is in the capacity of an officer, trustee, or other status and the office, trust, or status has ceased to exist. ~~After this~~

After this death or cessation, the members or, if there are no members, the board shall succeed to this entitlement to designate or select the director or directors.

(e) If a corporation has not issued memberships and (1) all the directors resign, die, or become incompetent, or (2) a corporation's initial directors have not been named in the articles and all incorporators resign, die, or become incompetent before the

1 election of the initial directors, the superior court of any county
2 may appoint directors of the corporation upon application by any
3 party in interest.

4 SEC. 47. Section 12362 of the Corporations Code is amended
5 to read:

6 12362. (a) Subject to subdivisions (b), (c) and (g), any or all
7 directors may be removed without cause if one of the following
8 applies:

9 (1) In a corporation with fewer than 50 members, the removal
10 is approved by a majority of all members (Section 12223).

11 (2) In a corporation with 50 or more members, the removal is
12 approved by the members (Section 12224).

13 (b) In a corporation in which the articles or bylaws authorize
14 members to cumulate their votes pursuant to subdivision (a) of
15 Section 12485, no director may be removed (unless the entire board
16 is removed) when the votes cast against removal, or not consenting
17 in writing to the removal, would be sufficient to elect the director
18 if voted cumulatively at an election at which the same total number
19 of votes were cast (or, if the action is taken by written ballot, all
20 memberships entitled to vote were voted) and the entire number
21 of directors authorized at the time of the director's most recent
22 election were then being elected; and

23 (c) When by the provisions of the articles or bylaws the members
24 of any class, voting as a class, are entitled to elect one or more
25 directors, any director so elected may be removed only by the
26 applicable vote of the members of that class.

27 (d) Any reduction of the authorized number of directors or any
28 amendment reducing the number of class of directors does not
29 remove any director prior to the expiration of the director's term
30 of office, unless the reduction or amendment also provides for
31 removal of one or more specified directors.

32 (e) Except as provided in this section and Sections 12361 and
33 12363, a director may not be removed prior to the expiration of
34 the director's term of office.

35 (f) Where a director removed under this section or Section 12361
36 or 12363 was chosen by designation pursuant to subdivision (d)
37 of Section 12360, then:

38 (1) Where a different person may be designated pursuant to the
39 governing article or bylaw provision, the new designation shall be
40 made; or

(2) Where the governing article or bylaw provision contains no provision under which a different person may be designated, the governing article or bylaw provision shall be deemed repealed.

(g) When by the provisions of the articles or bylaws a person or persons are entitled to designate one or more directors, the provisions shall also provide for removal of those directors and any director so designated may only be removed as so provided.

(h) If the articles or bylaws entitle a person or persons to designate one or more directors, then:

(1) Unless as otherwise provided in the articles or bylaws at the time of designation, any director so designated may be removed without cause by the designating person or persons.

(2) Any director so designated may only be removed under subdivision (a) with the written consent of the designating person or persons.

(3) Unless as otherwise provided in the articles or bylaws, the right to remove shall not apply if any of the following circumstances exist:

(A) The person or persons entitled to that right have died or ceased to exist.

(B) If that right to remove is in the capacity of an officer, trustee, or other status, and the office, trust, or status has ceased to exist.

~~After this~~

After this death or cessation, the members or, if there are no members, the board shall succeed to this right to remove.

SEC. 48. Section 12371 of the Corporations Code is amended to read:

12371. (a) A director shall perform the duties of a director, including duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

(b) In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

1 (1) One or more officers or employees of the corporation whom
2 the director believes to be reliable and competent in the matters
3 presented;

4 (2) Counsel, independent accountants or other persons as to
5 matters which the director believes to be within such person's
6 professional or expert competence; or

7 (3) A committee upon which the director does not serve that is
8 composed exclusively of any or any combination of directors,
9 persons described in paragraph (1), or persons described in
10 paragraph (2), as to matters within the committee's designated
11 authority, which committee the director believes to merit
12 confidence, so long as, in any such case, the director acts in good
13 faith, after reasonable inquiry when the need therefor is indicated
14 by the circumstances and without knowledge that would cause
15 such reliance to be unwarranted.

16 (c) A person who performs the duties of a director in accordance
17 with subdivisions (a) and (b) shall have no liability based upon
18 any alleged failure to discharge the persons's obligations as a
19 director.

20 SEC. 49. Section 12630 of the Corporations Code is amended
21 to read:

22 12630. (a) Any corporation may elect voluntarily to wind up
23 and dissolve (1) by approval of a majority of all members (Section
24 12223) or (2) by approval of the board and approval of the
25 members (Section 12224).

26 (b) Any corporation which comes within one of the following
27 descriptions may elect by approval of the board to wind up and
28 dissolve:

29 (1) A corporation which has been adjudicated as bankrupt.

30 (2) A corporation which has disposed of all of its assets and has
31 not conducted any activity for a period of five years immediately
32 preceding the adoption of the resolution electing to dissolve the
33 corporation.

34 (3) A corporation which has no members.

35 (c) If a corporation comes within one of the descriptions in
36 subdivision (b) and if the number of directors then in office is less
37 than a quorum, it may elect to voluntarily wind up and dissolve
38 by any of the following:

39 (1) The unanimous consent of the directors then in office.

(2) The affirmative vote of a majority of the directors then in office at a meeting held pursuant to waiver of notice by those directors complying with subdivision (a) of Section 12351.

(3) The vote of a sole remaining director.

(d) If a corporation elects to voluntarily wind up and dissolve pursuant to subdivision (c), references to the board in this chapter and Chapter 17 (commencing with Section 12650) shall be deemed to be to a board consisting solely of those directors or that sole director and action by the board shall require at least the same consent or vote as would be required under subdivision (c) for an election to wind up and dissolve.

SEC. 50. Section 12694 of the Corporations Code is amended to read:

12694. Subdivision (a) of Section 12353 of the new law shall apply to subject corporations, but the treasurer of these corporations shall be deemed to be the chief financial officer unless otherwise provided in the articles or bylaws.

SEC. 51. Section 18360 of the Corporations Code is amended to read:

18360. An unincorporated association may merge with a domestic or foreign corporation, domestic or foreign limited partnership, domestic or foreign general partnership, or domestic or foreign limited liability company. Notwithstanding this section, a merger may be effected only if each constituent entity is authorized to effect the merger by the laws under which it was organized.

SEC. 52. Section 24001.5 of the Corporations Code is amended to read:

24001.5. (a) The Legislature finds and declares that the services of directors or officers of nonprofit medical associations, as defined in Section 21200, who serve without compensation are critical to the efficient conduct and management of the public service and charitable affairs of the people of California. The willingness of volunteers to offer their services has been deterred by a perception that their personal assets are at risk for these activities. The unavailability and unaffordability of appropriate liability insurance makes it difficult for these associations to protect the personal assets of their volunteer decisionmakers with adequate insurance. It is the public policy of this state to provide incentive

1 and protection to the individuals who perform these important
2 functions.

3 (b) Except as provided in this section, no cause of action for
4 monetary damages shall arise against any person serving without
5 compensation as a director or officer of a nonprofit medical
6 association, as defined in Section 21200, on account of any
7 negligent act or omission occurring (1) within the scope of that
8 person's duties as a director acting as a board member, or within
9 the scope of that person's duties as an officer acting in an official
10 capacity; (2) in good faith; (3) in a manner that the person believes
11 to be in the best interest of the association; and (4) is in the exercise
12 of his or her policymaking judgment.

13 (c) This section shall not limit the liability of a director or officer
14 for any of the following:

15 (1) Self-dealing transactions, as described in Sections 5233 and
16 9243.

17 (2) Conflicts of interest, as described in Section 7233.

18 (3) Actions described in Sections 5237, 7236, and 9245.

19 (4) In the case of a charitable trust, an action or proceeding
20 against a trustee brought by a beneficiary of that trust.

21 (5) Any action or proceeding brought by the Attorney General.

22 (6) Intentional, wanton, or reckless acts, gross negligence, or
23 an action based on fraud, oppression, or malice.

24 (7) Any action brought under Chapter 2 (commencing with
25 Section 16700) of Part 2 of Division 7 of the Business and
26 Professions Code.

27 (d) This section only applies to nonprofit organizations
28 organized to provide charitable, educational, scientific, social, or
29 other forms of public service that are exempt from federal income
30 taxation under Section 501(c)(3) or 501(c)(6) of the Internal
31 Revenue Code.

32 (e) This section applies only if the nonprofit association
33 maintains a liability insurance policy with an amount of coverage
34 of at least the following amounts:

35 (1) If the association's annual budget is less than fifty thousand
36 dollars (\$50,000), the minimum required amount is five hundred
37 thousand dollars (\$500,000).

38 (2) If the association's annual budget equals or exceeds fifty
39 thousand dollars (\$50,000), the minimum required amount is one
40 million dollars (\$1,000,000).

1 This section applies only if the liability insurance policy is
2 applicable to the claim.

3 (f) For the purposes of this section, the payment of actual
4 expenses incurred in attending meetings or otherwise in the
5 execution of the duties of a director or officer shall not constitute
6 compensation.

7 (g) Nothing in this section shall be construed to limit the liability
8 of a nonprofit association for any negligent act or omission of a
9 director, officer, employee, agent, or servant occurring within the
10 scope of his or her duties.

11 (h) This section does not apply to any association that unlawfully
12 restricts membership, services, or benefits conferred on the basis
13 of political affiliation, age, or any characteristic listed or defined
14 in subdivision (b) or (e) of Section 51 of the Civil Code.

15 (i) This section does not apply to any volunteer director or
16 officer who receives compensation from the association in any
17 other capacity, including, but not limited to, as an employee.