

AMENDED IN ASSEMBLY MAY 6, 2009

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 of, 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~~ *articles* 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~~ *designator has* died or ceased to exist, the office or status that created the right or entitlement *has* ceased to exist, or *in certain cases*, 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:

1 5039.5. The term “chair” includes “chairperson,” “chairman,”
2 and “chairwoman.” All references in this division to “chairman”
3 shall be deemed to refer to “chair.”

4 SEC. 2. Section 5047 of the Corporations Code is amended to
5 read:

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

20 SEC. 3. Section 5047.5 of the Corporations Code is amended
21 to read:

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

34 (b) Except as provided in this section, no cause of action for
35 monetary damages shall arise against any person serving without
36 compensation as a director or officer of a nonprofit corporation
37 subject to Part 2 (commencing with Section 5110), Part 3
38 (commencing with Section 7110), or Part 4 (commencing with
39 Section 9110) of this division on account of any negligent act or
40 omission occurring (1) within the scope of that person’s duties as

1 a director acting as a board member, or within the scope of that
2 person's duties as an officer acting in an official capacity; (2) in
3 good faith; (3) in a manner that the person believes to be in the
4 best interest of the corporation; and (4) is in the exercise of his or
5 her policymaking judgment.

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

8 (1) Self-dealing transactions, as described in Sections 5233 and
9 9243.

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

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

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

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

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

17 (7) Any action brought under Chapter 2 (commencing with
18 Section 16700) of Part 2 of Division 7 of the Business and
19 Professions Code.

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

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

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

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

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

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

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

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

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

16 SEC. 4. Section 5062 of the Corporations Code is amended to
17 read:

18 5062. "Officer's certificate" means a certificate signed and
19 verified by the chair of the board, the president or any vice
20 president and by the secretary, the chief financial officer, the
21 treasurer or any assistant secretary or assistant treasurer.

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

24 5063.5. "Other business entity" means a domestic or foreign
25 limited liability company, limited partnership, general partnership,
26 business trust, real estate investment trust, unincorporated
27 association, or a domestic reciprocal insurer organized after 1974
28 to provide medical malpractice insurance as set forth in Article 16
29 (commencing with Section 1550) of Chapter 3 of Part 2 of Division
30 1 of the Insurance Code. As used herein, "general partnership"
31 means a "partnership" as defined in subdivision (9) of Section
32 16101; "business trust" means a business organization formed as
33 a trust; "real estate investment trust" means a "real estate
34 investment trust" as defined in subsection (a) of Section 856 of
35 the Internal Revenue Code of 1986, as amended; and
36 "unincorporated association" has the meaning set forth in Section
37 18035.

38 SEC. 6. Section 5132 of the Corporations Code is amended to
39 read:

1 5132. (a) The articles of incorporation may set forth any or
2 all of the following provisions, which shall not be effective unless
3 expressly provided in the articles:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 SEC. 7. Section 5150 of the Corporations Code is amended to
17 read:

18 5150. (a) Except as provided in subdivision (c), and Sections
19 5151, 5220, 5224, 5512, 5613, and 5616, bylaws may be adopted,
20 amended or repealed by the board unless the action would
21 materially and adversely affect the rights of members as to voting
22 or transfer.

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

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 5151.

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

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

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

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

12 SEC. 8. Section 5151 of the Corporations Code is amended to
13 read:

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

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

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

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

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

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

39 (4) The appointment and authority of committees.

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

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

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

5 (8) Setting, imposing and collecting dues, assessments and
6 admission fees.

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

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

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

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

24 5211. (a) Unless otherwise provided in the articles or in the
25 bylaws, all of the following apply:

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

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

38 (3) Notice of a meeting need not be given to a director who
39 provides a waiver of notice or consent to holding the meeting or
40 an approval of the minutes thereof in writing, whether before or

1 after the meeting, or who attends the meeting without protesting,
2 prior thereto or at its commencement, the lack of notice to that
3 director. These waivers, consents and approvals shall be filed with
4 the corporate records or made a part of the minutes of the meetings.

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

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

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

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

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

33 (7) A majority of the number of directors authorized in or
34 pursuant to the articles or bylaws constitutes a quorum of the board
35 for the transaction of business. The articles or bylaws may require
36 the presence of one or more specified directors in order to constitute
37 a quorum of the board to transact business, as long as the death of
38 a director or the death or nonexistence of the person or persons
39 otherwise authorized to appoint or designate that director does not
40 prevent the corporation from transacting business in the normal

1 course of events. The articles or bylaws may not provide that a
2 quorum shall be less than one-fifth the number of directors
3 authorized in or pursuant to the articles or bylaws, or less than
4 two, whichever is larger, unless the number of directors authorized
5 in or pursuant to the articles or bylaws is one, in which case one
6 director constitutes a quorum.

7 (8) Subject to the provisions of Sections 5212, 5233, 5234,
8 5235, and subdivision (e) of Section 5238, an act or decision done
9 or made by a majority of the directors present at a meeting duly
10 held at which a quorum is present is the act of the board. The
11 articles or bylaws may not provide that a lesser vote than a majority
12 of the directors present at a meeting is the act of the board. A
13 meeting at which a quorum is initially present may continue to
14 transact business notwithstanding the withdrawal of directors, if
15 any action taken is approved by at least a majority of the required
16 quorum for that meeting, or a greater number required by this
17 division, the articles or the bylaws.

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

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

29 (d) The provisions of this section apply also to incorporators,
30 to committees of the board, and to action by those incorporators
31 or committees mutatis mutandis.

32 SEC. 10. Section 5212 of the Corporations Code is amended
33 to read:

34 5212. (a) The board may, by resolution adopted by a majority
35 of the number of directors then in office, provided that a quorum
36 is present, create one or more committees, each consisting of two
37 or more directors, to serve at the pleasure of the board.
38 Appointments to such committees shall be by a majority vote of
39 the directors then in office, unless the articles or bylaws require a
40 majority vote of the number of directors authorized in or pursuant

1 to the articles or bylaws. The bylaws may authorize one or more
2 such committees, each consisting of two or more directors, and
3 may provide that a specified officer or officers who are also
4 directors of the corporation shall be a member or members of such
5 committee or committees. The board may appoint one or more
6 directors as alternate members of such committee, who may replace
7 any absent member at any meeting of the committee. Such
8 committee, to the extent provided in the resolution of the board or
9 in the bylaws, shall have all the authority of the board, except with
10 respect to:

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

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

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

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

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

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

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

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

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

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

39 SEC. 11. Section 5213 of the Corporations Code is amended
40 to read:

1 5213. (a) A corporation shall have a chair of its board, who
2 may be given the title chair of the board, chairperson of the board,
3 chairman of the board, or chairwoman of the board, or a president
4 or both, a secretary, a treasurer or a chief financial officer or both,
5 and any other officers with any titles and duties as shall be stated
6 in the bylaws or determined by the board and as may be necessary
7 to enable it to sign instruments. The president, or if there is no
8 president the chair of the board, is the general manager and chief
9 executive officer of the corporation, unless otherwise provided in
10 the articles or bylaws. Unless otherwise specified in the articles
11 or the bylaws, if there is no chief financial officer, the treasurer is
12 the chief financial officer of the corporation. Any number of offices
13 may be held by the same person unless the articles or bylaws
14 provide otherwise, except that the secretary, the treasurer, or the
15 chief financial officer may not serve concurrently as the president
16 or chair of the board.

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

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

28 SEC. 12. Section 5220 of the Corporations Code is amended
29 to read:

30 5220. (a) Except as provided in subdivision (d), directors shall
31 be elected for the terms, not longer than four years, as are fixed in
32 the articles or bylaws. However, the terms of directors of a
33 corporation without members may be up to six years. In the absence
34 of any provision in the articles or bylaws, the term shall be one
35 year. The articles or bylaws may provide for staggering the terms
36 of directors by dividing the total number of directors into groups
37 of one or more directors. The terms of office of the several groups
38 and the number of directors in each group need not be uniform.
39 No amendment of the articles or bylaws may extend the term of a
40 director beyond that for which the director was elected, nor may

1 any bylaw provision increasing the terms of directors be adopted
2 without approval of the members (Section 5034).

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

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

10 (d) *For the purposes of this subdivision, "designator" means*
11 *one or more designators.* Subdivisions (a) through (c)
12 notwithstanding, all or any portion of the directors authorized in
13 the articles or bylaws of a corporation may hold office by virtue
14 of designation or selection *by a specified designator* as provided
15 by the articles or bylaws rather than by election ~~by a member or~~
16 ~~members or the board.~~ *Those* ~~Such~~ directors shall continue in office
17 for the term prescribed by the governing article or bylaw provision,
18 or, if there is no term prescribed, until the governing article or
19 bylaw provision is duly amended or repealed, except as provided
20 in subdivision (e) of Section 5222. A bylaw provision authorized
21 by this subdivision may be adopted, amended, or repealed only by
22 approval of the members (Section 5034), ~~subject, if so provided~~
23 ~~in the bylaws, to the consent of the person or persons entitled to~~
24 ~~designate or select the director or directors~~ *except as provided in*
25 *subdivision (d) of Section 5150.* Unless otherwise provided in the
26 articles or bylaws, the entitlement to designate or select ~~the a~~
27 director or directors shall not apply if any of the following
28 circumstances exist:

29 (1) ~~The specified person or persons have~~ *designator of that*
30 *director or directors* ~~has~~ died or ceased to exist.

31 (2) If the entitlement of the ~~person or persons~~ *specified*
32 *designator of that director or directors* to designate is in the
33 capacity of an officer, trustee, or other status and the office, trust,
34 or status has ceased to exist.

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

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

1 incorporators resign, die, or become incompetent before the
2 election of the initial directors, the superior court of any county
3 may appoint directors of the corporation upon application by any
4 party in interest.

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

7 5222. (a) Subject to subdivisions (b) and (f), any or all directors
8 may be removed without cause if:

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

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

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

15 (b) Except for a corporation having no members pursuant to
16 Section 5310:

17 (1) In a corporation in which the articles or bylaws authorize
18 members to cumulate their votes pursuant to subdivision (a) of
19 Section 5616, no director may be removed (unless the entire board
20 is removed) if the votes cast against removal, or not consenting in
21 writing to the removal, would be sufficient to elect the director if
22 voted cumulatively at an election at which the same total number
23 of votes were cast (or, if the action is taken by written ballot, all
24 memberships entitled to vote were voted) and the entire number
25 of directors authorized at the time of the director's most recent
26 election were then being elected.

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

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

37 (c) Any reduction of the authorized number of directors or any
38 amendment reducing the number of classes of directors does not
39 remove any director prior to the expiration of the director's term

1 of office unless the reduction or any amendment also provides for
2 the removal of one or more specified directors.

3 (d) Except as provided in this section and Sections 5221 and
4 5223, a director may not be removed prior to the expiration of the
5 director's term of office.

6 (e) If a director removed under this section or Section 5221 or
7 5223 was chosen by designation pursuant to subdivision (d) of
8 Section 5220, then:

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

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

15 (f) *For the purposes of this subdivision, "designator" means*
16 *one or more designators.* If by the provisions of the articles or
17 bylaws a ~~person or persons~~ *are designator* is entitled to designate
18 one or more directors, then:

19 (1) Unless otherwise provided in the articles or bylaws at the
20 time of designation, any director so designated may be removed
21 without cause by the ~~designating person or persons~~ *designator of*
22 *that director.*

23 (2) Any director so designated may only be removed under
24 subdivision (a) with the written consent of the ~~designating person~~
25 ~~or persons~~ *designator of that director.*

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

29 (A) The ~~person or persons~~ *designator* entitled to that right ~~have~~
30 *has* died or ceased to exist.

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

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

35 SEC. 14. Section 5231 of the Corporations Code is amended
36 to read:

37 5231. (a) A director shall perform the duties of a director,
38 including duties as a member of any committee of the board upon
39 which the director may serve, in good faith, in a manner that
40 director believes to be in the best interests of the corporation and

1 with such care, including reasonable inquiry, as an ordinarily
2 prudent person in a like position would use under similar
3 circumstances.

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

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

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

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

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

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

32 6610. (a) Any corporation may elect voluntarily to wind up
33 and dissolve (1) by approval of a majority of all members (Section
34 5033) or (2) by approval of the board and approval of the members
35 (Section 5034).

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

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

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

5 (3) A corporation which has no members.

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

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

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

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

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

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

25 SEC. 16. Section 7132 of the Corporations Code is amended
26 to read:

27 7132. (a) The articles of incorporation may set forth any or
28 all of the following provisions, which shall not be effective unless
29 expressly provided in the articles:

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

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

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

1 (4) 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 (4), 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 8510), 16
12 (commencing with Section 8610), and 17 (commencing with
13 Section 8710) 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) Provisions concerning the transfer of memberships, in
22 accordance with Section 7320.

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

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

29 (5) A provision that requires an amendment to the articles, as
30 provided in subdivision (a) of Section 7812, or to the bylaws, and
31 any amendment or repeal of that amendment, to be approved in
32 writing by a specified person or persons other than the board or
33 the members. However, this approval requirement, unless the
34 articles specify otherwise, shall not apply if any of the following
35 circumstances exist:

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

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

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

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

13 SEC. 17. Section 7150 of the Corporations Code is amended
14 to read:

15 7150. (a) Except as provided in subdivision (c) and Sections
16 7151, 7220, 7224, 7512, 7613, and 7615, bylaws may be adopted,
17 amended or repealed by the board unless the action would:

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

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

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

24 (4) Authorize a new class of membership.

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

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

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

36 (3) Increase or decrease the number of memberships authorized
37 for such class;

38 (4) Increase the number of memberships authorized for another
39 class;

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

3 (6) Authorize a new class of memberships.

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

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

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

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

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

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

28 7151. (a) The bylaws shall set forth (unless such provision is
29 contained in the articles, in which case it may only be changed by
30 an amendment of the articles) the number of directors of the
31 corporation, or the method of determining the number of directors
32 of the corporation, or that the number of directors shall be not less
33 than a stated minimum nor more than a stated maximum with the
34 exact number of directors to be fixed, within the limits specified,
35 by approval of the board or the members (Section 5034), in the
36 manner provided in the bylaws, subject to subdivision (e). The
37 number or minimum number of directors may be one or more.

38 (b) Once members have been admitted, a bylaw specifying or
39 changing a fixed number of directors or the maximum or minimum

1 number or changing from a fixed to a variable board or vice versa
2 may only be adopted by approval of the members (Section 5034).

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

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

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

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

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

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

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

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

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

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

26 (e) The bylaws may require, for any or all corporate actions
27 (except as provided in paragraphs (1) and (2) of subdivision (a) of
28 Section 7222, subdivision (c) of Section 7615, and Section 8610)
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 SEC. 19. Section 7211 of the Corporations Code is amended
39 to read:

1 7211. (a) Unless otherwise provided in the articles or in the
2 bylaws, all of the following apply:

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

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

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

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

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

32 (6) Members of the board may participate in a meeting through
33 use of conference telephone, electronic video screen
34 communication, or electronic transmission by and to the
35 corporation (Sections 20 and 21). Participation in a meeting through
36 use of conference telephone or electronic video screen
37 communication pursuant to this subdivision constitutes presence
38 in person at that meeting as long as all members participating in
39 the meeting are able to hear one another. Participation in a meeting
40 through use of electronic transmission by and to the corporation,

1 other than conference telephone and electronic video screen
2 communication, pursuant to this subdivision constitutes presence
3 in person at that meeting if both of the following apply:

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

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

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

24 (8) Subject to the provisions of Sections 7212, 7233, 7234, and
25 subdivision (e) of Section 7237 and Section 5233, insofar as it is
26 made applicable pursuant to Section 7238, an act or decision done
27 or made by a majority of the directors present at a meeting duly
28 held at which a quorum is present is the act of the board. The
29 articles or bylaws may not provide that a lesser vote than a majority
30 of the directors present at a meeting is the act of the board. A
31 meeting at which a quorum is initially present may continue to
32 transact business notwithstanding the withdrawal of directors, if
33 any action taken is approved by at least a majority of the required
34 quorum for that meeting, or a greater number required by this
35 division, the articles or the bylaws.

36 (b) An action required or permitted to be taken by the board
37 may be taken without a meeting, if all members of the board shall
38 individually or collectively consent in writing to that action. The
39 written consent or consents shall be filed with the minutes of the
40 proceedings of the board. The action by written consent shall have

1 the same force and effect as a unanimous vote of the directors. For
2 purposes of this subdivision only, “all members of the board” does
3 not include an “interested director” as defined in Section 5233,
4 insofar as it is made applicable pursuant to Section 7238.

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

11 SEC. 20. Section 7212 of the Corporations Code is amended
12 to read:

13 7212. (a) The board may, by resolution adopted by a majority
14 of the number of directors then in office, provided that a quorum
15 is present, create one or more committees, each consisting of two
16 or more directors, to serve at the pleasure of the board.
17 Appointments to such committees shall be by a majority vote of
18 the directors then in office, unless the articles or bylaws require a
19 majority vote of the number of directors authorized in or pursuant
20 to the articles or bylaws. The bylaws may authorize one or more
21 such committees, each consisting of two or more directors, and
22 may provide that a specified officer or officers who are also
23 directors of the corporation shall be a member or members of such
24 committee or committees. The board may appoint one or more
25 directors as alternate members of such committee, who may replace
26 any absent member at any meeting of the committee. Such
27 committee, to the extent provided in the resolution of the board or
28 in the bylaws, shall have all the authority of the board, except with
29 respect to:

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

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

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

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

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

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

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

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

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

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

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

23 7213. (a) A corporation shall have a chair of its board, who
24 may be given the title chair of the board, chairperson of the board,
25 chairman of the board, or chairwoman of the board, or a president
26 or both, a secretary, a treasurer or a chief financial officer and any
27 other officers with any titles and duties as shall be stated in the
28 bylaws or determined by the board and as may be necessary to
29 enable it to sign instruments. The president, or if there is no
30 president the chair of the board, is the general manager and chief
31 executive officer of the corporation, unless otherwise provided in
32 the articles or bylaws. Unless otherwise specified in the articles
33 or the bylaws, if there is no chief financial officer, the treasurer is
34 the chief financial officer of the corporation. Any number of offices
35 may be held by the same person unless the articles or bylaws
36 provide otherwise.

37 (b) Except as otherwise provided by the articles or bylaws,
38 officers shall be chosen by the board and serve at the pleasure of
39 the board, subject to the rights, if any, of an officer under any
40 contract of employment. Any officer may resign at any time upon

1 written notice to the corporation without prejudice to the rights, if
2 any, of the corporation under any contract to which the officer is
3 a party.

4 SEC. 22. Section 7220 of the Corporations Code is amended
5 to read:

6 7220. (a) Except as provided in subdivision (d), directors shall
7 be elected for such terms, not longer than four years, as are fixed
8 in the articles or bylaws. However, the terms of directors of a
9 corporation without members may be up to six years. In the absence
10 of any provision in the articles or bylaws, the term shall be one
11 year. The articles or bylaws may provide for staggering the terms
12 of directors by dividing the total number of directors into groups
13 of one or more directors. The terms of office of the several groups
14 and the number of directors in each group need not be uniform.
15 No amendment of the articles or bylaws may extend the term of a
16 director beyond that for which the director was elected, nor may
17 any bylaw provision increasing the terms of directors be adopted
18 without approval of the members (Section 5034).

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

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

26 (d) *For the purposes of this subdivision, “designator” means*
27 *one or more designators.* Subdivisions (a) through (c)
28 notwithstanding, all or any portion of the directors authorized in
29 the articles or bylaws of a corporation may hold office by virtue
30 of designation or selection *by a specified designator* as provided
31 by the articles or bylaws rather than by election ~~by a member or~~
32 ~~members or the board.~~ Such directors shall continue in office for
33 the term prescribed by the governing article or bylaw provision,
34 or, if there is no term prescribed, until the governing article or
35 bylaw provision is duly amended or repealed, except as provided
36 in subdivision (e) of Section 7222. A bylaw provision authorized
37 by this subdivision may be adopted, amended, or repealed only by
38 approval of the members (Section 5034), *except as provided in*
39 *subdivision (d) of Section 7150.* Unless otherwise provided in the
40 articles or bylaws, the entitlement to designate or select ~~the a~~

1 director or directors shall not apply if any of the following
2 circumstances exist:

3 (1) The specified ~~person or persons have~~ *designator of that*
4 *director or directors has* died or ceased to exist.

5 (2) If the entitlement of the ~~person or persons specified~~
6 *designator of that director or directors* to designate is in the
7 capacity of an officer, trustee, or other status and the office, trust,
8 or status has ceased to exist.

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

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

19 SEC. 23. Section 7222 of the Corporations Code is amended
20 to read:

21 7222. (a) Subject to subdivisions (b) and (f), any or all directors
22 may be removed without cause if:

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

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

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

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

31 (1) In a corporation in which the articles or bylaws authorize
32 members to cumulate their votes pursuant to subdivision (a) of
33 Section 7615, no director may be removed (unless the entire board
34 is removed) when the votes cast against removal, or not consenting
35 in writing to the removal, would be sufficient to elect the director
36 if voted cumulatively at an election at which the same total number
37 of votes were cast (or, if the action is taken by written ballot, all
38 memberships entitled to vote were voted) and the entire number
39 of directors authorized at the time of the director's most recent
40 election were then being elected.

(2) 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.

(3) 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 amendment also provides for the removal of one or more specified directors.

(d) Except as provided in this section and Sections 7221 and 7223, a director may not be removed prior to the expiration of the 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~~ *For the purposes of this subdivision, "designator" means one or more designators. If* by the provisions of the articles or bylaws a ~~person or persons~~ *are* designator is 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~~ *designator of that director.*

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

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

4 (A) ~~The person or persons~~ *designator* entitled to that right ~~have~~
5 *has* died or ceased to exist.

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

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

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

12 7231. (a) A director shall perform the duties of a director,
13 including duties as a member of any committee of the board upon
14 which the director may serve, in good faith, in a manner such
15 director believes to be in the best interests of the corporation and
16 with such care, including reasonable inquiry, as an ordinarily
17 prudent person in a like position would use under similar
18 circumstances.

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

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

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

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

38 (c) A person who performs the duties of a director in accordance
39 with subdivisions (a) and (b) shall have no liability based upon
40 any alleged failure to discharge the person's obligations as a

1 director, including, without limiting the generality of the foregoing,
2 any actions or omissions which exceed or defeat a public or
3 charitable purpose to which assets held by a corporation are
4 dedicated.

5 SEC. 25. Section 8610 of the Corporations Code is amended
6 to read:

7 8610. (a) Any corporation may elect voluntarily to wind up
8 and dissolve (1) by approval of a majority of all members (Section
9 5033), or (2) by approval of the board and approval of the
10 members (Section 5034).

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

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

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

19 (3) A corporation which has no members.

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

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

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

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

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

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

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

3 9132. (a) The articles of incorporation may set forth any or
4 all of the following provisions, which shall not be effective unless
5 expressly provided in the articles:

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

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

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

14 (ii) That in the event of its dissolution pursuant to an article
15 provision allowed by subdivision (a), paragraph (2), clause (i), of
16 this section, or, in the event of its dissolution for any reason, any
17 assets of the corporation after compliance with the applicable
18 provisions of Chapters 16 (commencing with Section 6610) and
19 17 (commencing with Section 6710) (made applicable pursuant
20 to Section 9680) shall be distributed to the head organization.

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

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

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

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

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

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

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

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

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

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

16 SEC. 27. Section 9151 of the Corporations Code is amended
17 to read:

18 9151. (a) The bylaws shall set forth (unless such provision is
19 contained in the articles, in which case it may only be changed by
20 an amendment of the articles) the number of directors of the
21 corporation, or the method of determining the number of directors
22 of the corporation, or that the number of directors shall be not less
23 than a stated minimum nor more than a stated maximum with the
24 exact number of directors to be fixed, within the limits specified,
25 by approval of the board or the members (Section 5034), in the
26 manner provided in the bylaws, subject to subdivision (e) of
27 Section 9151. The number or minimum number of directors may
28 be one or more.

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

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

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

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

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

7 (4) The appointment of committees, composed of directors or
8 nondirectors or both, by the board or any officer and the authority
9 of any such committees.

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

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

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

14 (8) Setting, imposing and collecting dues, assessments, and
15 admissions and transfer fees.

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

18 (e) The bylaws may require, for any or all corporate actions
19 (except as provided in Section 9222 and subdivision (b) of Section
20 9680), the vote of a larger proportion of, or all of, the members or
21 the members of any class, unit, or grouping of members, or the
22 vote of a larger proportion of, or all of, the directors than is
23 otherwise required by this part. Such a provision in the bylaws
24 requiring such greater vote shall not be altered, amended or
25 repealed except by such greater vote, unless otherwise provided
26 in the bylaws.

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

30 SEC. 28. Section 9211 of the Corporations Code is amended
31 to read:

32 9211. (a) Unless otherwise provided in the articles or in the
33 bylaws, all of the following apply:

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

37 (2) Regular meetings of the board may be held without notice
38 if the time and place of the meetings are fixed by the bylaws or
39 the board. Special meetings of the board shall be held upon four
40 days' notice by first-class mail or 48 hours' notice delivered

1 personally or by telephone, including a voice messaging system
2 or by electronic transmission by a corporation (Section 20). The
3 articles or bylaws may not dispense with notice of a special
4 meeting. A notice, or waiver of notice, need not specify the purpose
5 of any regular or special meeting of the board.

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

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

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

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

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

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

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

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

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

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

(c) Each director present and voting at a meeting shall have one vote on each matter presented to the board of directors for action 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 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 such

1 committee or committees. The board may appoint one or more
2 directors as alternate members of such committee, who may replace
3 any absent member at any meeting of the committee. Such
4 committee, to the extent provided in the resolution of the board or
5 in the bylaws, shall have all the authority of the board, except with
6 respect to:

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

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

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

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

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

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

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

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

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

32 9213. (a) A corporation shall have a chair of the board, who
33 may be given the title chair of the board, chairman of the board,
34 or chairwoman of the board, or a president or both, a secretary, a
35 treasurer or a chief financial officer and such other officers with
36 such titles and duties as shall be stated in the bylaws or determined
37 by the board and as may be necessary to enable it to sign
38 instruments. The president, or if there is no president, the chair of
39 the board, is the general manager and chief executive officer of
40 the corporation, unless otherwise provided in the articles or bylaws.

1 If there is no chief financial officer, the treasurer is the chief
2 financial officer of the corporation unless otherwise provided in
3 the articles or bylaws. Any number of offices may be held by the
4 same person unless the articles or bylaws provide otherwise, except
5 that the secretary, the treasurer, or the chief financial officer may
6 serve concurrently as the president or chair of the board.

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

14 SEC. 31. Section 9220 of the Corporations Code is amended
15 to read:

16 9220. (a) The articles or bylaws may provide for the tenure,
17 election, selection, designation, removal, and resignation of
18 directors.

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

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

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

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

35 9222. (a) Except as provided in the articles or bylaws and
36 subject to subdivision (b) of this section, any or all directors may
37 be removed without cause if the removal is approved by the
38 members (Section 5034).

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

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

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

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

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

18 9241. (a) A director shall perform the duties of a director,
19 including duties as a member of any committee of the board upon
20 which the director may serve, in good faith, in a manner such
21 director believes to be in the best interests of the corporation and
22 with such care, including reasonable inquiry, as is appropriate
23 under the circumstances.

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

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

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

34 (3) A committee upon which the director does not serve that is
35 composed exclusively of any or any combination of directors,
36 persons described in paragraph (1), or persons described in
37 paragraph (2), as to matters within the committee's designated
38 authority, which committee the director believes to merit
39 confidence; or

(4) Religious authorities and ministers, priests, rabbis, or other persons whose position or duties in the religious organization the director believes justify reliance and confidence and whom the director believes to be reliable and competent in the matters presented, 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) The provisions of this section, and not Section 9243, shall govern any action or omission of a director in regard to the compensation of directors, as directors or officers, or any loan of money or property to or guaranty of the obligation of any director or officer. No obligation, otherwise valid, shall be voidable merely because directors who benefited by a board resolution to pay such compensation or to make such loan or guaranty participated in making such board resolution.

(d) Except as provided in Section 9243, 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 his or her obligations as a director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat any purpose to which the corporation, or assets held by it, may be dedicated.

SEC. 34. Article 6 (commencing with Section 9260) is added to Chapter 2 of Part 4 of Division 2 of Title 1 of the Corporations 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.

(4) If a corporation elects to voluntarily wind up and dissolve pursuant to paragraph (3), references to the board in this chapter 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 paragraph (3) for an election to wind up and dissolve.

(c) If a corporation is in the process of voluntary winding up, the superior court of the proper county, upon the petition of (1) the corporation, or (2) the authorized number (Section 5036), or (3) the Attorney General, or (4) three or more creditors, and upon such notice to the corporation and members and creditors as the court may order, may take jurisdiction over the voluntary winding up proceeding if that appears necessary for the protection of the assets of the corporation. The court, if it assumes jurisdiction, may

1 make such orders as to any and all matters concerning the winding
2 up of the affairs of the corporation and the protection of its creditors
3 and its assets as justice and equity may require. Chapter 15
4 (commencing with Section 6510) (except Sections 6510 and 6511)
5 shall apply to those court proceedings.

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

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

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

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

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

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

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

22 (7) Subject to the provisions of Section 9142, to sell at public
23 or private sale, exchange, convey, or otherwise dispose of all or
24 any part of the assets of the corporation in an amount deemed
25 reasonable by the board without compliance with Section 9631,
26 and to execute bills of sale and deeds of conveyance in the name
27 of the corporation.

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

32 (e) After complying with Section 6713:

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

37 (2) Except as provided in subdivision (3), the disposition
38 required in subdivision (1) shall be made by decree of the superior
39 court of the proper county. The decree shall be made upon petition

1 therefor, upon 30 days' notice to the Attorney General, by any
2 person concerned in the dissolution.

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

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

9 (g) Chapter 15 (commencing with Section 6510) does not apply
10 to religious corporations except to the extent its provisions apply
11 under subdivision (d) of Section 6617, subdivision (c) of Section
12 6719, or subdivision (c) or (d) of this section.

13 SEC. 36. Section 9916 of the Corporations Code is amended
14 to read:

15 9916. Subdivision (a) of Section 5213 of the new public benefit
16 corporation law applies to subject corporations governed by the
17 public benefit corporation law, subdivision (a) of Section 7213 of
18 the new mutual benefit corporation law apply to subject
19 corporations governed by the mutual benefit corporation law, and
20 subdivision (a) of Section 9213 of the new religious corporation
21 law applies to subject corporations governed by the religious
22 corporation law; but the "treasurer" of those corporations shall be
23 deemed to be the "chief financial officer," unless otherwise
24 provided in the articles or bylaws.

25 SEC. 37. Section 12228.5 is added to the Corporations Code,
26 to read:

27 12228.5. The term "chair" includes "chairperson," "chairman,"
28 and "chairwoman." For the purposes of this part, all references to
29 "chairman" shall be deemed to refer to "chair."

30 SEC. 38. Section 12233 of the Corporations Code is amended
31 to read:

32 12233. "Directors" means natural persons, designated in the
33 articles or bylaws or elected by the incorporators, and their
34 successors and natural persons designated, elected, or appointed
35 by any other name or title to act as members of the governing body
36 of the corporation. "Directors" also means alternate directors
37 described in Section 12331. A person who does not have authority
38 to act as a member of the governing body of the corporation,
39 including through voting rights as a member of the governing
40 body, is not a director as that term is used in this part regardless

1 of title. However, if the articles or bylaws designate that a natural
2 person is a director or a member of the governing body of the
3 corporation by reason of occupying a specified position within or
4 outside the corporation, that person shall be a director for all
5 purposes and shall have the same rights and obligations, including
6 voting rights, as the other directors.

7 SEC. 39. Section 12241 of the Corporations Code is amended
8 to read:

9 12241. "Officers' certificate" means a certificate signed and
10 verified by the chair of the board, the president, or any vice
11 president, and by the secretary, the chief financial officer, the
12 treasurer, or any assistant secretary or assistant treasurer.

13 SEC. 40. Section 12242.5 of the Corporations Code is amended
14 to read:

15 12242.5. "Other business entity" means a domestic or foreign
16 limited liability company, limited partnership, general partnership,
17 business trust, real estate investment trust, unincorporated
18 association, or a domestic reciprocal insurer organized after 1974
19 to provide medical malpractice insurance as set forth in Article 16
20 (commencing with Section 1550) of Chapter 3 of Part 2 of Division
21 1 of the Insurance Code. As used herein, "general partnership"
22 means a "partnership" as defined in subdivision (9) of Section
23 16101; "business trust" means a business organization formed as
24 a trust; "real estate investment trust" means a "real estate
25 investment trust" as defined in subsection (a) of Section 856 of
26 the Internal Revenue Code of 1986, as amended; and
27 "unincorporated association" has the meaning set forth in Section
28 18035.

29 SEC. 41. Section 12330 of the Corporations Code is amended
30 to read:

31 12330. (a) Except as provided in subdivision (c) and Sections
32 12331, 12360, 12364, 12462, and 12484, bylaws may be adopted,
33 amended, or repealed by the board unless the action would:

34 (1) Materially and adversely affect the rights or obligations of
35 members as to voting, dissolution, redemption, transfer,
36 distributions, patronage distributions, patronage, property rights,
37 or rights to repayment of contributed capital;

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

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

3 (4) Authorize a new class of membership.

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

8 (1) Materially and adversely affect the rights or obligations of
9 that class as to voting, dissolution, redemption, transfer,
10 distributions, patronage distributions, patronage, property rights,
11 or rights to repayment of contributed capital, in a manner different
12 than such action affects another class;

13 (2) Materially and adversely affect such class as to voting,
14 dissolution, redemption, transfer, distributions, patronage
15 distributions, patronage, property rights, or rights to repayment of
16 contributed capital, by changing the rights, privileges, preferences,
17 restrictions or conditions of another class;

18 (3) Increase or decrease the number of memberships authorized
19 for such class;

20 (4) Increase the number of memberships authorized for another
21 class;

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

24 (6) Authorize a new class of memberships.

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

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

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

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

39 (3) If the corporation has a specific proposal for amendment or
40 repeal, and the corporation has provided written notice of that

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

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

9 12331. (a) The bylaws shall set forth (unless such provision
10 is contained in the articles, in which case it may only be changed
11 by an amendment of the articles) the number of directors of the
12 corporation, or the method of determining the number of directors
13 of the corporation, or that the number of directors shall be not less
14 than a stated minimum or more than a stated maximum with the
15 exact number of directors to be fixed, within the limits specified,
16 by approval of the board or the members (Sections 12222 and
17 12224), in the manner provided in the bylaws, subject to
18 subdivision (e). The number or minimum number of directors shall
19 not be less than three. Alternate directors may be permitted, in
20 which event, the bylaws shall specify the manner and times of
21 their election and the conditions to their service in place of a
22 director.

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

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

31 (1) Any provision referred to in subdivision (c) of Section
32 12313.

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

36 (3) The qualifications, duties and compensation of directors;
37 the time of their election; and the requirements of a quorum for
38 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 membership and transfer fees.

10 (9) The time and manner of patronage distributions consistent
11 with this part.

12 (d) The bylaws may provide for eligibility, the manner of
13 admission, withdrawal, suspension, and expulsion of members,
14 and the suspension or termination of memberships consistent with
15 the requirements of Section 12431.

16 (e) The bylaws may require, for any or all corporate actions,
17 the vote of a larger proportion of, or all of, the members or the
18 members of any class, unit, or grouping of members or the vote
19 of a larger proportion of, or all of, the directors, than is otherwise
20 required by this part. Such a provision in the bylaws requiring such
21 greater vote shall not be altered, amended or repealed except by
22 such greater vote, unless otherwise provided in the bylaws.

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

26 (g) The bylaws may provide for the establishment by the
27 corporation of a program for the education of its members, officers,
28 employees and the general public in the principles and techniques
29 of cooperation.

30 SEC. 43. Section 12351 of the Corporations Code is amended
31 to read:

32 12351. (a) Unless otherwise provided in the articles or in the
33 bylaws:

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

37 (2) Regular meetings of the board may be held without notice
38 if the time and place of the meetings are fixed by the bylaws or
39 the board. Special meetings of the board shall be held upon four
40 days' notice by first-class mail or 48 hours' notice delivered

1 personally or by telephone, including a voice messaging system
2 or by electronic transmission by the corporation (Section 20). The
3 articles or bylaws may not dispense with notice of a special
4 meeting. A notice, or waiver of notice, need not specify the purpose
5 of any regular or special meeting of the board.

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

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

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

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

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

37 (B) Each member is provided the means of participating in all
38 matters before the board, including, without limitation, the capacity
39 to propose, or to interpose an objection to, a specific action to be
40 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 to constitute a quorum of the board to transact business, as long as the death of a director or the death or nonexistence of the person or persons otherwise authorized to appoint or designate a director does not prevent the corporation from transacting business in the normal course of events. The articles or bylaws may not provide that a quorum shall be less than one-fifth the number of directors authorized in or pursuant to the articles or bylaws, or less than two, whichever is larger.

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

(b) Any action required or permitted to be taken by the board may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to that action. Such written consent or consents shall be filed with the minutes of the proceedings of the board.

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

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

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

12352. (a) 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. Appointments to such committees shall be by a majority vote of

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

12 (1) The approval of any action for which this part also requires
13 approval of the members (Section 12224) or approval of a majority
14 of all members (Section 12223) regardless of whether the
15 corporation has members.

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

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

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

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

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

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

29 (b) A committee exercising the authority of the board shall not
30 include as members persons who are not directors. The board may
31 create other committees that do not exercise the authority of the
32 board and these other committees may include persons who are
33 not directors.

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

39 SEC. 45. Section 12353 of the Corporations Code is amended
40 to read:

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

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

SEC. 46. Section 12360 of the Corporations Code is amended 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) *For the purposes of this subdivision, “designator” means one or more designators.* 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 *by a specified designator* 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), *except as provided in subdivision (d) of Section 12330*. Unless otherwise provided in the articles or bylaws, the entitlement to designate or select ~~the a~~ director or directors shall not apply if any of the following circumstances exist:

(1) The ~~specified person or persons have~~ *designator of that director or directors* has died or ceased to exist.

(2) If the entitlement of the ~~person or persons specified~~ *designator of that director or directors* 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 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. 47. Section 12362 of the Corporations Code is amended to read:

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

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

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

3 (b) In a corporation in which the articles or bylaws authorize
4 members to cumulate their votes pursuant to subdivision (a) of
5 Section 12485, no director may be removed (unless the entire board
6 is removed) when the votes cast against removal, or not consenting
7 in writing to the removal, would be sufficient to elect the director
8 if voted cumulatively at an election at which the same total number
9 of votes were cast (or, if the action is taken by written ballot, all
10 memberships entitled to vote were voted) and the entire number
11 of directors authorized at the time of the director's most recent
12 election were then being elected; and

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

17 (d) Any reduction of the authorized number of directors or any
18 amendment reducing the number of class of directors does not
19 remove any director prior to the expiration of the director's term
20 of office, unless the reduction or amendment also provides for
21 removal of one or more specified directors.

22 (e) Except as provided in this section and Sections 12361 and
23 12363, a director may not be removed prior to the expiration of
24 the director's term of office.

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

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

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

34 (g) ~~When~~ *For the purposes of this subdivision, "designator"*
35 *means one or more designators. If* by the provisions of the articles
36 or bylaws a ~~person or persons~~ *designator* is entitled to designate
37 one or more directors, ~~the provisions shall also provide for removal~~
38 ~~of those directors and any director so designated may only be~~
39 ~~removed as so provided.~~

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

3 (1) Unless as otherwise provided in the articles or bylaws at the
4 time of designation, any director so designated may be removed
5 without cause by the ~~designating person or persons~~ *designator of*
6 *that director*.

7 (2) Any director so designated may only be removed under
8 subdivision (a) with the written consent of the ~~designating person~~
9 ~~or persons~~ *designator of that director*.

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

13 (A) The ~~person or persons~~ *designator* entitled to that right ~~have~~
14 *has* died or ceased to exist.

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

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

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

21 12371. (a) A director shall perform the duties of a director,
22 including duties as a member of any committee of the board upon
23 which the director may serve, in good faith, in a manner such
24 director believes to be in the best interests of the corporation and
25 with such care, including reasonable inquiry, as an ordinarily
26 prudent person in a like position would use under similar
27 circumstances.

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

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

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

38 (3) A committee upon which the director does not serve that is
39 composed exclusively of any or any combination of directors,
40 persons described in paragraph (1), or persons described in

1 paragraph (2), as to matters within the committee's designated
2 authority, which committee the director believes to merit
3 confidence, so long as, in any such case, the director acts in good
4 faith, after reasonable inquiry when the need therefor is indicated
5 by the circumstances and without knowledge that would cause
6 such reliance to be unwarranted.

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

11 SEC. 49. Section 12630 of the Corporations Code is amended
12 to read:

13 12630. (a) Any corporation may elect voluntarily to wind up
14 and dissolve (1) by approval of a majority of all members (Section
15 12223) or (2) by approval of the board and approval of the
16 members (Section 12224).

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

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

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

25 (3) A corporation which has no members.

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

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

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

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

35 (d) If a corporation elects to voluntarily wind up and dissolve
36 pursuant to subdivision (c), references to the board in this chapter
37 and Chapter 17 (commencing with Section 12650) shall be deemed
38 to be to a board consisting solely of those directors or that sole
39 director and action by the board shall require at least the same

1 consent or vote as would be required under subdivision (c) for an
2 election to wind up and dissolve.

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

5 12694. Subdivision (a) of Section 12353 of the new law shall
6 apply to subject corporations, but the treasurer of these corporations
7 shall be deemed to be the chief financial officer unless otherwise
8 provided in the articles or bylaws.

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

11 18360. An unincorporated association may merge with a
12 domestic or foreign corporation, domestic or foreign limited
13 partnership, domestic or foreign general partnership, or domestic
14 or foreign limited liability company. Notwithstanding this section,
15 a merger may be effected only if each constituent entity is
16 authorized to effect the merger by the laws under which it was
17 organized.

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

20 24001.5. (a) The Legislature finds and declares that the
21 services of directors or officers of nonprofit medical associations,
22 as defined in Section 21200, who serve without compensation are
23 critical to the efficient conduct and management of the public
24 service and charitable affairs of the people of California. The
25 willingness of volunteers to offer their services has been deterred
26 by a perception that their personal assets are at risk for these
27 activities. The unavailability and unaffordability of appropriate
28 liability insurance makes it difficult for these associations to protect
29 the personal assets of their volunteer decisionmakers with adequate
30 insurance. It is the public policy of this state to provide incentive
31 and protection to the individuals who perform these important
32 functions.

33 (b) Except as provided in this section, no cause of action for
34 monetary damages shall arise against any person serving without
35 compensation as a director or officer of a nonprofit medical
36 association, as defined in Section 21200, on account of any
37 negligent act or omission occurring (1) within the scope of that
38 person's duties as a director acting as a board member, or within
39 the scope of that person's duties as an officer acting in an official
40 capacity; (2) in good faith; (3) in a manner that the person believes

1 to be in the best interest of the association; and (4) is in the exercise
2 of his or her policymaking judgment.

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

5 (1) Self-dealing transactions, as described in Sections 5233 and
6 9243.

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

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

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

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

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

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

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

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

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

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

31 This section applies only if the liability insurance policy is
32 applicable to the claim.

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

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

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

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

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