

AMENDED IN SENATE AUGUST 17, 2009

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 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 *or cease* in those circumstances when the specified 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. *The bill would also make technical changes to those provisions to conform to federal bankruptcy law.*

Under existing law, certain public benefit corporations deemed to be private foundations, as defined, are subject to ~~Federal~~ 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:

SECTION 1. Section 5039.5 is added to the Corporations Code, to read:

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

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

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

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

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

(b) Except as provided in this section, no cause of action for monetary damages shall arise against any person serving without compensation as a director or officer of a nonprofit corporation

1 subject to Part 2 (commencing with Section 5110), Part 3
2 (commencing with Section 7110), or Part 4 (commencing with
3 Section 9110) of this division on account of any negligent act or
4 omission occurring (1) within the scope of that person's duties as
5 a director acting as a board member, or within the scope of that
6 person's duties as an officer acting in an official capacity; (2) in
7 good faith; (3) in a manner that the person believes to be in the
8 best interest of the corporation; and (4) is in the exercise of his or
9 her policymaking judgment.

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

12 (1) Self-dealing transactions, as described in Sections 5233 and
13 9243.

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

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

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

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

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

21 (7) Any action brought under Chapter 2 (commencing with
22 Section 16700) of Part 2 of Division 7 of the Business and
23 Professions Code.

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

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

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

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

38 This section applies only if the claim against the director or
39 officer can also be made directly against the corporation and a
40 liability insurance policy is applicable to the claim. If that policy

1 is found to cover the damages caused by the director or officer,
2 no cause of action as provided in this section shall be maintained
3 against the director or officer.

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

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

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

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

19 SEC. 4. Section 5062 of the Corporations Code is amended to
20 read:

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

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

27 5063.5. "Other business entity" means a domestic or foreign
28 limited liability company, limited partnership, general partnership,
29 business trust, real estate investment trust, unincorporated
30 association, or a domestic reciprocal insurer organized after 1974
31 to provide medical malpractice insurance as set forth in Article 16
32 (commencing with Section 1550) of Chapter 3 of Part 2 of Division
33 1 of the Insurance Code. As used herein, "general partnership"
34 means a "partnership" as defined in subdivision (9) of Section
35 16101; "business trust" means a business organization formed as
36 a trust; "real estate investment trust" means a "real estate
37 investment trust" as defined in subsection (a) of Section 856 of
38 the Internal Revenue Code of 1986, as amended; and
39 "unincorporated association" has the meaning set forth in Section
40 18035.

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

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

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

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

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

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

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

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

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

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

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

(4) A provision that requires an amendment to the articles, as provided in subdivision (a) of Section 5812, or to the bylaws, and any amendment or repeal of that amendment, to be approved in writing by a specified person or persons other than the board or

1 the members. However, this approval requirement, unless the
2 articles specify otherwise, shall not apply if any of the following
3 circumstances exist:

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

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

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

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

20 SEC. 7. Section 5150 of the Corporations Code is amended to
21 read:

22 5150. (a) Except as provided in subdivision (c), and Sections
23 5151, 5220, 5224, 5512, 5613, and 5616, bylaws may be adopted,
24 amended or repealed by the board unless the action would
25 materially and adversely affect the rights of members as to voting
26 or transfer.

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

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

36 (d) Bylaws may also provide that repeal or amendment of those
37 bylaws, or the repeal or amendment of specified portions of those
38 bylaws, may occur only with the approval in writing of a specified
39 person or persons other than the board or members. However, this

1 approval requirement, unless the bylaws specify otherwise, shall
2 not apply if any of the following circumstances exist:

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

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

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

15 SEC. 8. Section 5151 of the Corporations Code is amended to
16 read:

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

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

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

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

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

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

4 (4) The appointment and authority of committees.

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

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

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

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

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

14 (e) The bylaws may require, for any or all corporate actions
15 (except as provided in paragraphs (1) and (2) of subdivision (a) of
16 Section 5222, subdivision (c) of Section 5616, and Section 6610),
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 SEC. 9. Section 5211 of the Corporations Code is amended to
27 read:

28 5211. (a) Unless otherwise provided in the articles or in the
29 bylaws, all of the following apply:

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

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

1 meeting. A notice, or waiver of notice, need not specify the purpose
2 of any regular or special meeting of the board.

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

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

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

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

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

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

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

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

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

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

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

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

37 SEC. 10. Section 5212 of the Corporations Code is amended
38 to read:

39 5212. (a) The board may, by resolution adopted by a majority
40 of the number of directors then in office, provided that a quorum

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

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

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

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

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

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

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

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

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

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

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

5 SEC. 11. Section 5213 of the Corporations Code is amended
6 to read:

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

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

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

34 SEC. 12. Section 5220 of the Corporations Code is amended
35 to read:

36 5220. (a) Except as provided in subdivision (d), directors shall
37 be elected for the terms, not longer than four years, as are fixed in
38 the articles or bylaws. However, the terms of directors of a
39 corporation without members may be up to six years. In the absence
40 of any provision in the articles or bylaws, the term shall be one

1 year. The articles or bylaws may provide for staggering the terms of directors by dividing the total number of directors into groups of one or more directors. The terms of office of the several groups and the number of directors in each group need not be uniform. 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 (Section 5034).

(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 provide for the election of one or more directors by the members of any class voting as a class.

(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. 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 (e) of Section 5222. A bylaw provision authorized by this subdivision may be adopted, amended, or repealed only by approval of the members (Section 5034) except as provided in subdivision (d) of Section 5150. Unless otherwise provided in the articles or bylaws, the entitlement to designate or select a director or directors shall ~~not apply~~ *cease* if any of the following circumstances exist:

(1) The specified designator of that director or directors has died or ceased to exist.

(2) If the entitlement of the 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.

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

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

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

6 5222. (a) Subject to subdivisions (b) and (f), any or all directors
7 may be removed without cause if:

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

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

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

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

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

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

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

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

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

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

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

(2) If 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) For the purposes of this subdivision, "designator" means one or more designators. If by the provisions of the articles or bylaws a 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 designator of that director.

(2) Any director so designated may only be removed under subdivision (a) with the written consent of the designator of that director.

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

(A) The designator entitled to that right has died or ceased to exist.

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

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

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

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

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

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

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

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

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

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

27 6610. (a) Any corporation may elect voluntarily to wind up
28 and dissolve (1) by approval of a majority of all members (Section
29 5033) or (2) by approval of the board and approval of the members
30 (Section 5034).

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

34 (1) A corporation which has been ~~adjudicated a bankrupt~~ *the*
35 *subject of an order for relief in bankruptcy.*

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

40 (3) A corporation which has no members.

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

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

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

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

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

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

21 SEC. 16. Section 7132 of the Corporations Code is amended
22 to read:

23 7132. (a) The articles of incorporation may set forth any or
24 all of the following provisions, which shall not be effective unless
25 expressly provided in the articles:

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

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

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

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

38 (i)

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

4 (ii)

5 (B) That in the event of its dissolution pursuant to an article
6 ~~provision allowed by subdivision (a), paragraph (4), clause (i), of~~
7 ~~this section, or, provision allowed by subparagraph (A) or in the~~
8 event of its dissolution for any reason, any assets of the corporation
9 after compliance with the applicable provisions of Chapters 15
10 (commencing with Section 8510), 16 (commencing with Section
11 8610), and 17 (commencing with Section 8710) shall be distributed
12 to the head organization.

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

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

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

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

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

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

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

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

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

11 SEC. 17. Section 7150 of the Corporations Code is amended
12 to read:

13 7150. (a) Except as provided in subdivision (c) and Sections
14 7151, 7220, 7224, 7512, 7613, and 7615, bylaws may be adopted,
15 amended or repealed by the board unless the action would:

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

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

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

22 (4) Authorize a new class of membership.

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

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

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

34 (3) Increase or decrease the number of memberships authorized
35 for such class;

36 (4) Increase the number of memberships authorized for another
37 class;

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

40 (6) Authorize a new class of memberships.

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

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

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

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

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

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

25 7151. (a) The bylaws shall set forth (unless such provision is
26 contained in the articles, in which case it may only be changed by
27 an amendment of the articles) the number of directors of the
28 corporation, or the method of determining the number of directors
29 of the corporation, or that the number of directors shall be not less
30 than a stated minimum nor more than a stated maximum with the
31 exact number of directors to be fixed, within the limits specified,
32 by approval of the board or the members (Section 5034), in the
33 manner provided in the bylaws, subject to subdivision (e). The
34 number or minimum number of directors may be one or more.

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

39 (c) The bylaws may contain any provision, not in conflict with
40 law or the articles, for the management of the activities and for

1 the conduct of the affairs of the corporation, including but not
2 limited to:

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

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

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

10 (4) The appointment of committees, composed of directors or
11 nondirectors or both, by the board or any officer and the authority
12 of any such committees.

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

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

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

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

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

22 (e) The bylaws may require, for any or all corporate actions
23 (except as provided in paragraphs (1) and (2) of subdivision (a) of
24 Section 7222, subdivision (c) of Section 7615, and Section 8610)
25 the vote of a larger proportion of, or all of, the members or the
26 members of any class, unit, or grouping of members or the vote
27 of a larger proportion of, or all of, the directors, than is otherwise
28 required by this part. Such a provision in the bylaws requiring such
29 greater vote shall not be altered, amended or repealed except by
30 such greater vote, unless otherwise provided in the bylaws.

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

34 SEC. 19. Section 7211 of the Corporations Code is amended
35 to read:

36 7211. (a) Unless otherwise provided in the articles or in the
37 bylaws, all of the following apply:

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

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

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

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

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

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

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

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

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

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

31 (b) An action required or permitted to be taken by the board
32 may be taken without a meeting, if all members of the board shall
33 individually or collectively consent in writing to that action. The
34 written consent or consents shall be filed with the minutes of the
35 proceedings of the board. The action by written consent shall have
36 the same force and effect as a unanimous vote of the directors. For
37 purposes of this subdivision only, “all members of the board” does
38 not include an “interested director” as defined in Section 5233,
39 insofar as it is made applicable pursuant to Section 7238.

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

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

7 SEC. 20. Section 7212 of the Corporations Code is amended
8 to read:

9 7212. (a) The board may, by resolution adopted by a majority
10 of the number of directors then in office, provided that a quorum
11 is present, create one or more committees, each consisting of two
12 or more directors, to serve at the pleasure of the board.
13 Appointments to such committees shall be by a majority vote of
14 the directors then in office, unless the articles or bylaws require a
15 majority vote of the number of directors authorized in or pursuant
16 to the articles or bylaws. The bylaws may authorize one or more
17 such committees, each consisting of two or more directors, and
18 may provide that a specified officer or officers who are also
19 directors of the corporation shall be a member or members of such
20 committee or committees. The board may appoint one or more
21 directors as alternate members of such committee, who may replace
22 any absent member at any meeting of the committee. Such
23 committee, to the extent provided in the resolution of the board or
24 in the bylaws, shall have all the authority of the board, except with
25 respect to:

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

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

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

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

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

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

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

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

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

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

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

19 7213. (a) A corporation shall have a chair of its board, who
20 may be given the title chair of the board, chairperson of the board,
21 chairman of the board, or chairwoman of the board, or a president
22 or both, a secretary, a treasurer or a chief financial officer and any
23 other officers with any titles and duties as shall be stated in the
24 bylaws or determined by the board and as may be necessary to
25 enable it to sign instruments. The president, or if there is no
26 president the chair of the board, is the general manager and chief
27 executive officer of the corporation, unless otherwise provided in
28 the articles or bylaws. Unless otherwise specified in the articles
29 or the bylaws, if there is no chief financial officer, the treasurer is
30 the chief financial officer of the corporation. Any number of offices
31 may be held by the same person unless the articles or bylaws
32 provide otherwise.

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

1 SEC. 22. Section 7220 of the Corporations Code is amended
2 to read:

3 7220. (a) Except as provided in subdivision (d), directors shall
4 be elected for such terms, not longer than four years, as are fixed
5 in the articles or bylaws. However, the terms of directors of a
6 corporation without members may be up to six years. In the absence
7 of any provision in the articles or bylaws, the term shall be one
8 year. The articles or bylaws may provide for staggering the terms
9 of directors by dividing the total number of directors into groups
10 of one or more directors. The terms of office of the several groups
11 and the number of directors in each group need not be uniform.
12 No amendment of the articles or bylaws may extend the term of a
13 director beyond that for which the director was elected, nor may
14 any bylaw provision increasing the terms of directors be adopted
15 without approval of the members (Section 5034).

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

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

23 (d) For the purposes of this subdivision, “designator” means
24 one or more designators. Subdivisions (a) through (c)
25 notwithstanding, all or any portion of the directors authorized in
26 the articles or bylaws of a corporation may hold office by virtue
27 of designation or selection by a specified designator as provided
28 by the articles or bylaws rather than by election. Such directors
29 shall continue in office for the term prescribed by the governing
30 article or bylaw provision, or, if there is no term prescribed, until
31 the governing article or bylaw provision is duly amended or
32 repealed, except as provided in subdivision (e) of Section 7222.
33 A bylaw provision authorized by this subdivision may be adopted,
34 amended, or repealed only by approval of the members (Section
35 5034), except as provided in subdivision (d) of Section 7150.
36 Unless otherwise provided in the articles or bylaws, the entitlement
37 to designate or select a director or directors shall ~~not apply~~ *cease*
38 if any of the following circumstances exist:

39 (1) The specified designator of that director or directors has
40 died or ceased to exist.

1 (2) If the entitlement of the specified designator of that director
2 or directors to designate is in the capacity of an officer, trustee, or
3 other status and the office, trust, or status has ceased to exist.

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

11 SEC. 23. Section 7222 of the Corporations Code is amended
12 to read:

13 7222. (a) Subject to subdivisions (b) and (f), any or all directors
14 may be removed without cause if:

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

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

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

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

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

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

37 (3) When by the provisions of the articles or bylaws the
38 members within a chapter or other organizational unit, or region
39 or other geographic grouping, voting as such, are entitled to elect
40 one or more directors, any director so elected may be removed

1 only by the applicable vote of the members within the
2 organizational unit or geographic grouping.

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

8 (d) Except as provided in this section and Sections 7221 and
9 7223, a director may not be removed prior to the expiration of the
10 director's term of office.

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

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

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

20 (f) For the purposes of this subdivision, "designator" means one
21 or more designators. If by the provisions of the articles or bylaws
22 a designator is entitled to designate one or more directors, then:

23 (1) Unless otherwise provided in the articles or bylaws at the
24 time of designation, any director so designated may be removed
25 without cause by the designator of that director.

26 (2) Any director so designated may only be removed under
27 subdivision (a) with the written consent of the designator of that
28 director.

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

32 (A) The designator entitled to that right has died or ceased to
33 exist.

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

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

38 7231. (a) A director shall perform the duties of a director,
39 including duties as a member of any committee of the board upon
40 which the director may serve, in good faith, in a manner such

1 director believes to be in the best interests of the corporation and
2 with such care, including reasonable inquiry, as an ordinarily
3 prudent person in a like position would use under similar
4 circumstances.

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

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

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

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

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

31 SEC. 25. Section 8610 of the Corporations Code is amended
32 to read:

33 8610. (a) Any corporation may elect voluntarily to wind up
34 and dissolve (1) by approval of a majority of all members (Section
35 5033), or (2) by approval of the board and approval of the
36 members (Section 5034).

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

1 (1) A corporation which has been ~~adjudicated as bankrupt~~ *the*
2 *subject of an order for relief in bankruptcy.*

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

7 (3) A corporation which has no members.

8 (4) A corporation which is required to dissolve under provisions
9 of its articles adopted pursuant to ~~subdivision (a), paragraph (4),~~
10 ~~clause (i) subparagraph (A) of paragraph (4) of subdivision (a)~~
11 of Section 7132.

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

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

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

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

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

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

31 9132. (a) The articles of incorporation may set forth any or
32 all of the following provisions, which shall not be effective unless
33 expressly provided in the articles:

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

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

39 (i)

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

4 (ii)

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

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

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

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

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

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

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

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

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

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

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

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

8 SEC. 27. Section 9151 of the Corporations Code is amended
9 to read:

10 9151. (a) The bylaws shall set forth (unless such provision is
11 contained in the articles, in which case it may only be changed by
12 an amendment of the articles) the number of directors of the
13 corporation, or the method of determining the number of directors
14 of the corporation, or that the number of directors shall be not less
15 than a stated minimum nor more than a stated maximum with the
16 exact number of directors to be fixed, within the limits specified,
17 by approval of the board or the members (Section 5034), in the
18 manner provided in the bylaws, subject to subdivision (e) of
19 Section 9151. The number or minimum number of directors may
20 be one or more.

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

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

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

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

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

37 (4) The appointment of committees, composed of directors or
38 nondirectors or both, by the board or any officer and the authority
39 of any such 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 admissions and transfer fees.

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

9 (e) The bylaws may require, for any or all corporate actions
10 (except as provided in Section 9222 and subdivision (b) of Section
11 9680), the vote of a larger proportion of, or all of, the members or
12 the members of any class, unit, or grouping of members, or the
13 vote of a larger proportion of, or all of, the directors than is
14 otherwise required by this part. Such a provision in the bylaws
15 requiring such greater vote shall not be altered, amended or
16 repealed except by such greater vote, unless otherwise provided
17 in the bylaws.

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

21 SEC. 28. Section 9211 of the Corporations Code is amended
22 to read:

23 9211. (a) Unless otherwise provided in the articles or in the
24 bylaws, all of the following apply:

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

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

37 (3) Notice of a meeting need not be given to a director who
38 provided a waiver of notice or consent to holding the meeting or
39 an approval of the minutes thereof in writing, whether before or
40 after the meeting, or who attends the meeting without protesting,

1 prior thereto or at its commencement, the lack of notice to that
2 director. These waivers, consents and approvals shall be filed with
3 the corporate records or made a part of the minutes of the meetings.

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

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

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

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

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

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

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

37 (8) An act or decision done or made by a majority of the
38 directors present at a meeting duly held at which a quorum is
39 present is the act of the board. The articles or bylaws may not
40 provide that a lesser vote than a majority of the directors present

1 at a meeting is the act of the board. A meeting at which a quorum
2 is initially present may continue to transact business
3 notwithstanding the withdrawal of directors, if any action taken is
4 approved by at least a majority of the required quorum for that
5 meeting, or a greater number as is required by this division, the
6 articles or bylaws.

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

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

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

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

21 9212. (a) Subject to any provision in the articles or bylaws:
22 (i) the board may, by resolution adopted by a majority of the
23 number of directors then in office, provided that a quorum is
24 present, create one or more committees, each consisting of two or
25 more directors, to serve at the pleasure of the board; and
26 (ii) appointments to such committees shall be by a majority vote
27 of the directors then in office. The bylaws may authorize one or
28 more such committees, each consisting of two or more directors,
29 and may provide that a specified officer or officers who are also
30 directors of the corporation shall be a member or members of such
31 committee or committees. The board may appoint one or more
32 directors as alternate members of such committee, who may replace
33 any absent member at any meeting of the committee. Such
34 committee, to the extent provided in the resolution of the board or
35 in the bylaws, shall have all the authority of the board, except with
36 respect to:

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

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

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

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

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

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

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 powers as authorized by Section 9210, but may
18 not delegate the powers set forth in paragraphs (1) to (6), inclusive,
19 of subdivision (a).

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

22 9213. (a) A corporation shall have a chair of the board, who
23 may be given the title chair of the board, chairman of the board,
24 or chairwoman of the board, or a president or both, a secretary, a
25 treasurer or a chief financial officer and such other officers with
26 such titles and duties as shall be stated in the bylaws or determined
27 by the board and as may be necessary to enable it to sign
28 instruments. The president, or if there is no president, the chair of
29 the board, is the general manager and chief executive officer of
30 the corporation, unless otherwise provided in the articles or bylaws.
31 If there is no chief financial officer, the treasurer is the chief
32 financial officer of the corporation unless otherwise provided in
33 the articles or bylaws. Any number of offices may be held by the
34 same person unless the articles or bylaws provide otherwise, except
35 that the secretary, the treasurer, or the chief financial officer may
36 serve concurrently as the president or chair of the board.

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. 31. Section 9220 of the Corporations Code is amended
5 to read:

6 9220. (a) The articles or bylaws may provide for the tenure,
7 election, selection, designation, removal, and resignation of
8 directors.

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

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

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

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

25 9222. (a) Except as provided in the articles or bylaws and
26 subject to subdivision (b) of this section, any or all directors may
27 be removed without cause if the removal is approved by the
28 members (Section 5034).

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

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

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

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

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

8 9241. (a) A director shall perform the duties of a director,
9 including duties as a member of any committee of the board upon
10 which the director may serve, in good faith, in a manner such
11 director believes to be in the best interests of the corporation and
12 with such care, including reasonable inquiry, as is appropriate
13 under the circumstances.

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

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

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

24 (3) A committee upon which the director does not serve that is
25 composed exclusively of any or any combination of directors,
26 persons described in paragraph (1), or persons described in
27 paragraph (2), as to matters within the committee's designated
28 authority, which committee the director believes to merit
29 confidence; or

30 (4) Religious authorities and ministers, priests, rabbis, or other
31 persons whose position or duties in the religious organization the
32 director believes justify reliance and confidence and whom the
33 director believes to be reliable and competent in the matters
34 presented, 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 that
37 reliance to be unwarranted.

38 (c) The provisions of this section, and not Section 9243, shall
39 govern any action or omission of a director in regard to the
40 compensation of directors, as directors or officers, or any loan of

1 money or property to or guaranty of the obligation of any director
2 or officer. No obligation, otherwise valid, shall be voidable merely
3 because directors who benefited by a board resolution to pay such
4 compensation or to make such loan or guaranty participated in
5 making such board resolution.

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

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

16
17 Article 6. Compliance with Internal Revenue Code
18

19 9260. Any other provision of law notwithstanding, every
20 corporation, during any period or periods that corporation is
21 deemed to be a "private foundation" as defined in Section 509 of
22 the Internal Revenue Code of 1954 as amended by Section 101 of
23 the Tax Reform Act of 1969, shall be subject to the requirements
24 of Section 5260.

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

27 9680. (a) Chapters 16 (commencing with Section 6610) and
28 17 (commencing with Section 6710) of Part 2 apply to religious
29 corporations except for Sections 6610, 6614, 6710, 6711 and 6716.

30 (b) (1) Any corporation may elect voluntarily to wind up and
31 dissolve (A) by approval of a majority of all the members (Section
32 5033) or (B) by approval of the board and approval of the members
33 (Section 5034).

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

37 (A) A corporation which has been ~~adjudicated a bankrupt~~ *the*
38 *subject of an order for relief in bankruptcy.*

39 (B) A corporation which has disposed of all its assets and has
40 not conducted any activity for a period of five years immediately

1 preceding the adoption of the resolution electing to dissolve the
2 corporation.

3 (C) A corporation which has no members.

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

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

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

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

16 (C) The vote of a sole remaining director.

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

23 (c) If a corporation is in the process of voluntary winding up,
24 the superior court of the proper county, upon the petition of (1)
25 the corporation, or (2) the authorized number (Section 5036), or
26 (3) the Attorney General, or (4) three or more creditors, and upon
27 such notice to the corporation and members and creditors as the
28 court may order, may take jurisdiction over the voluntary winding
29 up proceeding if that appears necessary for the protection of the
30 assets of the corporation. The court, if it assumes jurisdiction, may
31 make such orders as to any and all matters concerning the winding
32 up of the affairs of the corporation and the protection of its creditors
33 and its assets as justice and equity may require. Chapter 15
34 (commencing with Section 6510) (except Sections 6510 and 6511)
35 shall apply to those court proceedings.

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

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

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

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

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

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

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

12 (7) Subject to the provisions of Section 9142, to sell at public
13 or private sale, exchange, convey, or otherwise dispose of all or
14 any part of the assets of the corporation in an amount deemed
15 reasonable by the board without compliance with Section 9631,
16 and to execute bills of sale and deeds of conveyance in the name
17 of the corporation.

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

22 (e) After complying with Section 6713:

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

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

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

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

38 (g) Chapter 15 (commencing with Section 6510) does not apply
39 to religious corporations except to the extent its provisions apply

1 under subdivision (d) of Section 6617, subdivision (c) of Section
2 6719, or subdivision (c) or (d) of this section.

3 SEC. 36. Section 9916 of the Corporations Code is amended
4 to read:

5 9916. Subdivision (a) of Section 5213 of the new public benefit
6 corporation law applies to subject corporations governed by the
7 public benefit corporation law, subdivision (a) of Section 7213 of
8 the new mutual benefit corporation law apply to subject
9 corporations governed by the mutual benefit corporation law, and
10 subdivision (a) of Section 9213 of the new religious corporation
11 law applies to subject corporations governed by the religious
12 corporation law; but the “treasurer” of those corporations shall be
13 deemed to be the “chief financial officer,” unless otherwise
14 provided in the articles or bylaws.

15 SEC. 37. Section 12228.5 is added to the Corporations Code,
16 to read:

17 12228.5. The term “chair” includes “chairperson,” “chairman,”
18 and “chairwoman.” For the purposes of this part, all references to
19 “chairman” shall be deemed to refer to “chair.”

20 SEC. 38. Section 12233 of the Corporations Code is amended
21 to read:

22 12233. “Directors” means natural persons, designated in the
23 articles or bylaws or elected by the incorporators, and their
24 successors and natural persons designated, elected, or appointed
25 by any other name or title to act as members of the governing body
26 of the corporation. “Directors” also means alternate directors
27 described in Section 12331. A person who does not have authority
28 to act as a member of the governing body of the corporation,
29 including through voting rights as a member of the governing
30 body, is not a director as that term is used in this part regardless
31 of title. However, if the articles or bylaws designate that a natural
32 person is a director or a member of the governing body of the
33 corporation by reason of occupying a specified position within or
34 outside the corporation, that person shall be a director for all
35 purposes and shall have the same rights and obligations, including
36 voting rights, as the other directors.

37 SEC. 39. Section 12241 of the Corporations Code is amended
38 to read:

39 12241. “Officers’ certificate” means a certificate signed and
40 verified by the chair of the board, the president, or any vice

1 president, and by the secretary, the chief financial officer, the
2 treasurer, or any assistant secretary or assistant treasurer.

3 SEC. 40. Section 12242.5 of the Corporations Code is amended
4 to read:

5 12242.5. "Other business entity" means a domestic or foreign
6 limited liability company, limited partnership, general partnership,
7 business trust, real estate investment trust, unincorporated
8 association, or a domestic reciprocal insurer organized after 1974
9 to provide medical malpractice insurance as set forth in Article 16
10 (commencing with Section 1550) of Chapter 3 of Part 2 of Division
11 1 of the Insurance Code. As used herein, "general partnership"
12 means a "partnership" as defined in subdivision (9) of Section
13 16101; "business trust" means a business organization formed as
14 a trust; "real estate investment trust" means a "real estate
15 investment trust" as defined in subsection (a) of Section 856 of
16 the Internal Revenue Code of 1986, as amended; and
17 "unincorporated association" has the meaning set forth in Section
18 18035.

19 SEC. 41. Section 12330 of the Corporations Code is amended
20 to read:

21 12330. (a) Except as provided in subdivision (c) and Sections
22 12331, 12360, 12364, 12462, and 12484, bylaws may be adopted,
23 amended, or repealed by the board unless the action would:

24 (1) Materially and adversely affect the rights or obligations of
25 members as to voting, dissolution, redemption, transfer,
26 distributions, patronage distributions, patronage, property rights,
27 or rights to repayment of contributed capital;

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

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

32 (4) Authorize a new class of membership.

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

37 (1) Materially and adversely affect the rights or obligations of
38 that class as to voting, dissolution, redemption, transfer,
39 distributions, patronage distributions, patronage, property rights,

1 or rights to repayment of contributed capital, in a manner different
2 than such action affects another class;

3 (2) Materially and adversely affect such class as to voting,
4 dissolution, redemption, transfer, distributions, patronage
5 distributions, patronage, property rights, or rights to repayment of
6 contributed capital, by changing the rights, privileges, preferences,
7 restrictions or conditions of another class;

8 (3) Increase or decrease the number of memberships authorized
9 for such class;

10 (4) Increase the number of memberships authorized for another
11 class;

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

14 (6) Authorize a new class of memberships.

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

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

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

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

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

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

39 12331. (a) The bylaws shall set forth (unless such provision
40 is contained in the articles, in which case it may only be changed

1 by an amendment of the articles) the number of directors of the
2 corporation, or the method of determining the number of directors
3 of the corporation, or that the number of directors shall be not less
4 than a stated minimum or more than a stated maximum with the
5 exact number of directors to be fixed, within the limits specified,
6 by approval of the board or the members (Sections 12222 and
7 12224), in the manner provided in the bylaws, subject to
8 subdivision (e). The number or minimum number of directors shall
9 not be less than three. Alternate directors may be permitted, in
10 which event, the bylaws shall specify the manner and times of
11 their election and the conditions to their service in place of a
12 director.

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

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

21 (1) Any provision referred to in subdivision (c) of Section
22 12313.

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

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

29 (4) The appointment of committees, composed of directors or
30 nondirectors or both, by the board or any officer and the authority
31 of any such committees.

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

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

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

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

38 (9) The time and manner of patronage distributions consistent
39 with this part.

1 (d) The bylaws may provide for eligibility, the manner of
2 admission, withdrawal, suspension, and expulsion of members,
3 and the suspension or termination of memberships consistent with
4 the requirements of Section 12431.

5 (e) The bylaws may require, for any or all corporate actions,
6 the vote of a larger proportion of, or all of, the members or the
7 members of any class, unit, or grouping of members or the vote
8 of a larger proportion of, or all of, the directors, than is otherwise
9 required by this part. Such a provision in the bylaws requiring such
10 greater vote shall not be altered, amended or repealed except by
11 such greater vote, unless otherwise provided in the bylaws.

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

15 (g) The bylaws may provide for the establishment by the
16 corporation of a program for the education of its members, officers,
17 employees and the general public in the principles and techniques
18 of cooperation.

19 SEC. 43. Section 12351 of the Corporations Code is amended
20 to read:

21 12351. (a) Unless otherwise provided in the articles or in the
22 bylaws:

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

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

35 (3) Notice of a meeting need not be given to any director who
36 provides a waiver of notice or consent to holding the meeting or
37 an approval of the minutes thereof in writing, whether before or
38 after the meeting, or who attends the meeting without protesting,
39 prior thereto or at its commencement, the lack of notice to that

1 director. All waivers, consents, and approvals shall be filed with
2 the corporate records or made a part of the minutes of the meetings.

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

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

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

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

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

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

1 authorized in or pursuant to the articles or bylaws, or less than
2 two, whichever is larger.

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

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

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

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

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

26 12352. (a) The board may, by resolution adopted by a majority
27 of the number of directors then in office, provided that a quorum
28 is present, create one or more committees, each consisting of two
29 or more directors, to serve at the pleasure of the board.
30 Appointments to such committees shall be by a majority vote of
31 the directors then in office, unless the articles or bylaws require a
32 majority vote of the number of directors authorized in the articles
33 or bylaws. The bylaws may authorize one or more such committees,
34 each consisting of two or more directors, and may provide that a
35 specified officer or officers who are also directors of the
36 corporation shall be a member or members of such committee or
37 committees. The board may appoint one or more directors as
38 alternate members of such committee, who may replace any absent
39 member at any meeting of the committee. Such committee, to the

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

3 (1) The approval of any action for which this part also requires
4 approval of the members (Section 12224) or approval of a majority
5 of all members (Section 12223) regardless of whether the
6 corporation has members.

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

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

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

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

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

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

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

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

30 SEC. 45. Section 12353 of the Corporations Code is amended
31 to read:

32 12353. (a) A corporation shall have a chair of the board, who
33 may be given the title chair of the board, chairperson of the board,
34 chairman of the board, or chairwoman of the board, or a president
35 or both, a secretary, a treasurer or a chief financial officer, or both,
36 and any other officers with any titles and duties as shall be stated
37 in the bylaws or determined by the board and as may be necessary
38 to enable it to sign instruments. The president, or if there is no
39 president the chair of the board, is the 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 for
3 in the articles or bylaws. Any number of offices may be held by
4 the same person unless the articles or bylaws provide otherwise.
5 Either the chair of the board or the president shall be elected from
6 among those board members elected by the membership of the
7 corporation.

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

15 SEC. 46. Section 12360 of the Corporations Code is amended
16 to read:

17 12360. (a) Except as provided in subdivision (d), directors
18 shall be elected for such terms, not longer than four years, as are
19 fixed in the articles or bylaws. In the absence of any provision in
20 the articles or bylaws, the terms shall be one year. No amendment
21 of the articles or bylaws may extend the term of a director beyond
22 that for which the director was elected, nor may any bylaw
23 provision increasing the terms of directors be adopted without
24 approval of the members.

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

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

32 (d) For the purposes of this subdivision, “designator” means
33 one or more designators. Subdivisions (a) through (c)
34 notwithstanding, all or any portion of the directors authorized in
35 the articles or bylaws of a corporation may hold office by virtue
36 of designation or selection by a specified designator as provided
37 by the articles or bylaws rather than by election. Such directors
38 shall continue in office for the term prescribed by the governing
39 article or bylaw provision, or, if there is no term prescribed, until
40 the governing article or bylaw provision is duly amended or

1 repealed, except as provided in subdivision (f) of Section 12362.
2 A bylaw provision authorized by this subdivision may be adopted,
3 amended, or repealed only by approval of the members (Section
4 12224), except as provided in subdivision (d) of Section 12330.
5 Unless otherwise provided in the articles or bylaws, the entitlement
6 to designate or select a director or directors shall ~~not apply~~ *cease*
7 if any of the following circumstances exist:

8 (1) The specified designator of that director or directors has
9 died or ceased to exist.

10 (2) If the entitlement of the specified designator of that director
11 or directors to designate is in the capacity of an officer, trustee, or
12 other status and the office, trust, or status has ceased to exist.

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

20 SEC. 47. Section 12362 of the Corporations Code is amended
21 to read:

22 12362. (a) Subject to subdivisions (b), (c) and (g), any or all
23 directors may be removed without cause if one of the following
24 applies:

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

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

29 (b) In a corporation in which the articles or bylaws authorize
30 members to cumulate their votes pursuant to subdivision (a) of
31 Section 12485, no director may be removed (unless the entire board
32 is removed) when the votes cast against removal, or not consenting
33 in writing to the removal, would be sufficient to elect the director
34 if voted cumulatively at an election at which the same total number
35 of votes were cast (or, if the action is taken by written ballot, all
36 memberships entitled to vote were voted) and the entire number
37 of directors authorized at the time of the director's most recent
38 election were then being elected; and

39 (c) When by the provisions of the articles or bylaws the members
40 of any class, voting as a class, are entitled to elect one or more

1 directors, any director so elected may be removed only by the
2 applicable vote of the members of that class.

3 (d) Any reduction of the authorized number of directors or any
4 amendment reducing the number of class of directors does not
5 remove any director prior to the expiration of the director's term
6 of office, unless the reduction or amendment also provides for
7 removal of one or more specified directors.

8 (e) Except as provided in this section and Sections 12361 and
9 12363, a director may not be removed prior to the expiration of
10 the director's term of office.

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

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

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

20 (g) For the purposes of this subdivision, "designator" means
21 one or more designators. If by the provisions of the articles or
22 bylaws a designator is entitled to designate one or more directors,
23 then:

24 (1) Unless as otherwise provided in the articles or bylaws at the
25 time of designation, any director so designated may be removed
26 without cause by the designator of that director.

27 (2) Any director so designated may only be removed under
28 subdivision (a) with the written consent of the designator of that
29 director.

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

33 (A) The designator entitled to that right has died or ceased to
34 exist.

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

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

39 12371. (a) A director shall perform the duties of a director,
40 including duties as a member of any committee of the board upon

1 which the director may serve, in good faith, in a manner such
2 director believes to be in the best interests of the corporation and
3 with such care, including reasonable inquiry, as an ordinarily
4 prudent person in a like position would use under similar
5 circumstances.

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

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

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

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

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

29 SEC. 49. Section 12630 of the Corporations Code is amended
30 to read:

31 12630. (a) Any corporation may elect voluntarily to wind up
32 and dissolve (1) by approval of a majority of all members (Section
33 12223) or (2) by approval of the board and approval of the
34 members (Section 12224).

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

38 (1) A corporation which has been ~~adjudicated as bankrupt~~ *the*
39 *subject of an order for relief in bankruptcy.*

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

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

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

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

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

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

24 12694. Subdivision (a) of Section 12353 of the new law shall
25 apply to subject corporations, but the treasurer of these corporations
26 shall be deemed to be the chief financial officer unless otherwise
27 provided in the articles or bylaws.

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

30 18360. An unincorporated association may merge with a
31 domestic or foreign corporation, domestic or foreign limited
32 partnership, domestic or foreign general partnership, or domestic
33 or foreign limited liability company. Notwithstanding this section,
34 a merger may be effected only if each constituent entity is
35 authorized to effect the merger by the laws under which it was
36 organized.

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

39 24001.5. (a) The Legislature finds and declares that the
40 services of directors or officers of nonprofit medical associations,

1 as defined in Section 21200, who serve without compensation are
2 critical to the efficient conduct and management of the public
3 service and charitable affairs of the people of California. The
4 willingness of volunteers to offer their services has been deterred
5 by a perception that their personal assets are at risk for these
6 activities. The unavailability and unaffordability of appropriate
7 liability insurance makes it difficult for these associations to protect
8 the personal assets of their volunteer decisionmakers with adequate
9 insurance. It is the public policy of this state to provide incentive
10 and protection to the individuals who perform these important
11 functions.

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

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

24 (1) Self-dealing transactions, as described in Sections 5233 and
25 9243.

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

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

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

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

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

33 (7) Any action brought under Chapter 2 (commencing with
34 Section 16700) of Part 2 of Division 7 of the Business and
35 Professions Code.

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

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

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

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

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

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

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

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

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