

AMENDED IN SENATE APRIL 21, 2014

**SENATE BILL**

**No. 1094**

---

---

**Introduced by Senator Lara**

February 19, 2014

---

---

An act to amend Sections 5915 and 5921 of, and to add Sections 5926 and 5927 to, the Corporations Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 1094, as amended, Lara. Health facilities: sale of assets: approval.

Existing law requires any nonprofit corporation that is subject to the Nonprofit Public Benefit Corporation Law and is a health facility, as defined, or is a facility that provides similar health care, operates or controls a health facility or operates or controls a facility that provides similar health care, to provide written notice to, and obtain the written consent of, the Attorney General prior to selling or otherwise disposing of a material amount of its assets to a for-profit corporation or entity or to a mutual benefit corporation or entity. Existing law requires the Attorney General to conduct one or more public meetings prior to issuing its decision whether to consent to the proposed agreement or transaction, and, in any case, to issue its decision within 60 days of the receipt of the written notice from the public benefit corporation, subject to one additional 45-day extension under specified circumstances.

This bill would instead require the Attorney General to issue its decision within ~~60~~ 90 days of the receipt of the written notice from the public benefit corporation. The bill would additionally authorize the Attorney General to enforce conditions imposed on the approval of an agreement or transaction, and to require the transferee to fulfill all representations made during the application process, as specified. The bill would authorize the Attorney General to amend the conditions after

the decision is issued under specified circumstances. The bill would additionally provide that once the agreement or transaction is closed, the parties to the transaction are deemed to have explicitly and implicitly consented to the applicability and compliance with each condition, *except for an amended condition*, set forth by the Attorney General, as specified.

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

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

1 SECTION 1. Section 5915 of the Corporations Code is  
2 amended to read:

3 5915. Within 90 days of the receipt of the written notice  
4 required by Section 5914, the Attorney General shall notify the  
5 public benefit corporation in writing of the decision to consent to,  
6 give conditional consent to, or not consent to the agreement or  
7 transaction. The Attorney General may extend this period for one  
8 additional 45-day period if any of the following conditions are  
9 satisfied:

10 (a) The extension is necessary to obtain information pursuant  
11 to subdivision (a) of Section 5919.

12 (b) The proposed agreement or transaction is substantially  
13 modified after the first public meeting conducted by the Attorney  
14 General in accordance with Section 5916.

15 (c) The proposed agreement or transaction involves a  
16 multifacility health system serving multiple communities, rather  
17 than a single facility.

18 SEC. 2. Section 5921 of the Corporations Code is amended to  
19 read:

20 5921. Within 90 days of the receipt of the written notice  
21 required by Section 5920, the Attorney General shall notify the  
22 nonprofit corporation in writing of the decision to consent to, give  
23 conditional consent to, or not consent to the agreement or  
24 transaction. The Attorney General may extend this period for one  
25 additional 45-day period if any of the following conditions are  
26 satisfied:

27 (a) The extension is necessary to obtain relevant information  
28 from any state agency, experts, or consultants.

1 (b) The proposed agreement or transaction is substantially  
2 modified after the first public meeting conducted by the Attorney  
3 General in accordance with Section 5922.

4 (c) The proposed agreement or transaction involves a  
5 multifacility health system serving multiple communities, rather  
6 than a single facility.

7 SEC. 3. Section 5926 is added to the Corporations Code, to  
8 read:

9 5926. (a) The Attorney General may enforce conditions  
10 imposed on the Attorney General’s approval of an agreement or  
11 transaction pursuant to Section 5914 or ~~Section 5920~~. The Attorney  
12 General may require the transferee to fulfill all representations  
13 made during the application process, including those regarding  
14 levels of care. ~~The~~

15 (b) *The* Attorney General may amend the conditions after the  
16 decision is issued, if ~~any~~ *either* of the following occur:

17 (1) A party to the transaction or agreement made material  
18 misrepresentations to the Attorney General. *An amended condition*  
19 *imposed by the Attorney General pursuant to this paragraph shall*  
20 *be substantially related to the material misrepresentation made*  
21 *by the party to the transaction.*

22 ~~(2) A change in the circumstances has occurred that could not~~  
23 ~~have reasonably been foreseen at the time of the Attorney General’s~~  
24 ~~decision.~~

25 ~~(3)~~

26 (2) A party to the transaction or agreement violated the  
27 conditions set forth in the Attorney General’s decision. *An amended*  
28 *condition imposed by the Attorney General pursuant to this*  
29 *paragraph shall be substantially related to the violation made by*  
30 *the party to the transaction and shall be necessary to mitigate,*  
31 *and to provide appropriate restitution for, the effects of the*  
32 *violation.*

33 ~~(b)~~

34 (c) Nothing in this provision precludes the Attorney General  
35 from pursuing any other available legal remedies.

36 SEC. 4. Section 5927 is added to the Corporations Code, to  
37 read:

38 5927. Once the agreement or transaction pursuant to Section  
39 5914 or ~~Section 5920~~ is closed, the parties to the transaction are  
40 deemed to have explicitly and implicitly consented to the

1 applicability and compliance with each condition set forth in the  
2 Attorney General’s consent, and to have waived any right to seek  
3 judicial relief with respect to each condition set forth in the  
4 Attorney General’s consent. *This section shall not apply to an*  
5 *amended condition imposed by the Attorney General pursuant to*  
6 *subdivision (b) of Section 5926.*

O