

Senate Bill No. 633

Passed the Senate September 5, 1997

Secretary of the Senate

Passed the Assembly September 3, 1997

Chief Clerk of the Assembly

This bill was received by the Governor this ____ day
of _____, 1997, at ____ o'clock __M.

Private Secretary of the Governor

└

CHAPTER ____

An act to repeal Part 4 (commencing with Section 330.24) of Division 1 of the Civil Code, to amend Sections 7312 and 25100 of, and to add Part 7 (commencing with Section 14300), Part 8 (commencing with Section 14350), Part 9 (commencing with Section 14400), Part 10 (commencing with Section 14450), Part 11 (commencing with Section 14500), and Part 12 (commencing with Section 14550) to Division 3 of Title 1 of, the Corporations Code, to amend Section 25988 of the Health and Safety Code, and to amend Sections 597d, 597z, 11105, 11165.16, 12031, and 12583 of the Penal Code, relating to corporations.

LEGISLATIVE COUNSEL'S DIGEST

SB 633, Ayala. Mutual water companies.

(1) Existing law authorizes any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation purposes, or for domestic use, to provide in its articles or bylaws that water shall be sold, distributed, supplied, or delivered only to owners of its shares and that these shares shall be appurtenant to certain lands described in the certificate issued therefor.

This bill would require a corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for domestic use to have these provisions in its articles or bylaws.

This bill would require a mutual water company formed on and after January 1, 1998, in connection with the offering for sale or lease, or with the sale or lease, of lots within a subdivision, as defined, and organized to sell, distribute, supply, or deliver water for domestic use to owners of the lots to meet the specified requirements of the bill regarding, among other things, supply and distribution system design standards and water service standards. The bill would provide that such a mutual



water company formed before January 1, 1998, may elect to meet all of these requirements.

This bill would require any person who intends to offer for sale or lease lots within a subdivision in this state and to provide water for domestic use to purchasers of the lots through the formation of this mutual water company to attach to an application for a public report a document with prescribed information. This bill would require the Real Estate Commissioner to prescribe the form and content of this document.

(2) Existing law exempts certain securities from requirements in existing law regarding the issuance of securities. These exempt securities include securities consisting of any interest in all or portions of a parcel or parcels of real property that are subdivided or in a real estate development, except as specified.

This bill would also exempt any security of a mutual water company issued in connection with subdivided lands pursuant to the provisions of this bill.

(3) Existing provisions of the Civil Code pertain to various types of corporations, including bridge, ferry, wharf, chute, and pier corporations, water and canal corporations, cable television corporations, societies for the prevention of cruelty to animals, and agricultural marketing associations.

This bill would delete these provisions and reenact them in the Corporations Code and would make related changes.

(4) The bill would also incorporate additional changes to Section 25100 of the Corporations Code proposed by AB 721, contingent upon prior enactment of that bill.

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

SECTION 1. Part 4 (commencing with Section 330.24) of Division 1 of the Civil Code is repealed.

SEC. 2. Section 7312 of the Corporations Code is amended to read:



7312. No person may hold more than one membership, and no fractional memberships may be held, provided, however, that:

(a) Two or more persons may have an indivisible interest in a single membership when authorized by, and in a manner or under the circumstances prescribed by, the articles or bylaws subject to Section 7612.

(b) If the articles or bylaws provide for classes of membership and if the articles or bylaws permit a person to be a member of more than one class, a person may hold a membership in one or more classes.

(c) Any branch, division, or office of any person, which is not formed primarily to be a member, may hold a separate membership.

(d) In the case of membership in an owners association, (as defined in Section 11003.1 of the Business and Professions Code, and created in connection with any of the forms of development referred to in Section 11004.5 of the Business and Professions Code) the articles or bylaws may permit a person who owns an interest, or who has a right of exclusive occupancy, in more than one lot, parcel, area, apartment, or unit to hold a separate membership in the owners' association for each lot, parcel, area, apartment, or unit.

(e) In the case of membership in a mutual water company, as defined in Section 14300 of the Corporations Code, the articles or bylaws may permit a person entitled to membership by reason of the ownership, lease, or right of occupancy of more than one lot, parcel, or other service unit to hold a separate membership in the mutual water company for each such lot, parcel, or other service unit.

(f) In the case of membership in a mobilehome park acquisition corporation, as described in Section 11010.8 of the Business and Professions Code, a bona fide secured party who has, pursuant to a security interest in a membership, taken title to the membership by way of foreclosure, repossession or voluntary repossession, and who is actively attempting to resell the membership to a prospective homeowner or resident of the mobilehome park, may own more than one membership.



SEC. 3. Part 7 (commencing with Section 14300) is added to Division 3 of Title 1 of the Corporations Code, to read:

PART 7. GENERAL PROVISIONS APPLICABLE TO CERTAIN CORPORATIONS

CHAPTER 1. WATER COMPANIES

14300. Any corporation organized for or engaged in the business of selling, distributing, supplying or delivering water for irrigation purposes may provide, and any corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for domestic use shall provide, in its articles or bylaws that water shall be sold, distributed, supplied or delivered only to owners of its shares and that the shares shall be appurtenant to certain lands when the same are described in the certificate issued therefor; and when the certificate is so issued and a certified copy of the articles or bylaws recorded in the office of the county recorder in the county where the lands are situated the shares of stock shall become appurtenant to the lands and shall only be transferred therewith, except after sale or forfeiture for delinquent assessments thereon as provided in Section 14303. Notwithstanding this provision in its articles or bylaws, any such corporation may sell water to the state, or any department or agency thereof, or to any school district, or to any public agency, or, to any other mutual water company or, during any emergency resulting from fire or other disaster involving danger to public health or safety, to any person at the same rates as to holders of shares of the corporations; and provided further, that any corporation may enter into a contract with a county fire protection district to furnish water to fire hydrants and for fire suppression or fire prevention purposes at a flat rate per hydrant or other connection. In the event lands to which any stock is appurtenant are owned or purchased by the state, or any department or agency thereof, or any school district, or public agency, the stock



shall be canceled by the secretary, but shall be reissued to any person later acquiring title to the land from the state department, agency, or school district, or public agency.

14301. A corporation, including a nonprofit corporation organized for or engaged in the business of developing, distributing, supplying, or delivering water for irrigation or domestic use, or both, may provide in its articles, or may amend its articles to provide, that its only purpose shall be to develop, distribute, supply, or deliver water for irrigation or domestic use, or both, to its members or shareholders, at actual cost plus necessary expenses.

The amendment of the articles may be accomplished by:

(a) The passage by a three-fourths vote of the members of the board of directors of the corporation of a resolution adopting as the purpose of the corporation the purpose set forth in this section.

(b) The signing, verification, and filing of a certificate setting forth the resolution and the manner of its adoption.

The corporation shall not distribute any gains, profits, or dividends to its members or shareholders except upon the dissolution of the corporation.

14302. Whenever the owner of real property to which water stock by the terms of the certificate thereof is appurtenant at the time of conveyance, by properly executed conveyance, transfers to another the real property with the appurtenances belonging to the property, or whenever title to the property passes by execution sale, or by foreclosure or probate proceedings, the secretary of the water company that issued the stock shall, upon exhibition to him or her of a deed of the land duly recorded, or the necessary court order duly recorded, issue to the grantee named in the conveyance a new certificate of stock for the number of shares appurtenant to the land as shown by the books and records of the company. The secretary of the water company shall enter the name of the grantee upon the



books of the company as the owner of the shares of stock and shall cancel on the books the number of former shares of stock so appurtenant to the land in the name of the grantor or of any previous owner of the land, or of any other person.

14303. A corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation purposes or domestic use, and not as a public utility, may levy assessments upon its shares, whether or not fully paid, unless otherwise provided in its articles or bylaws. If any shares of the corporation that have been made appurtenant to any land as provided in this chapter, become delinquent in the payment of assessments, the right to receive water or dividends thereon may be denied, and they may be sold and transferred without those lands as if not appurtenant thereto, and the purchaser shall acquire the right to receive water as provided in the articles or bylaws of the corporation, or they may be forfeited to the corporation.

CHAPTER 2. MUTUAL WATER COMPANIES FORMED IN
CONNECTION WITH SUBDIVIDED LANDS

14310. (a) It is the intent of the Legislature to ensure both of the following:

(1) That when a mutual water company is formed or is about to be formed in connection with a subdivision, as defined in Sections 11000 and 11004.5 of the Business and Professions Code, an adequate potable water supply and distribution system exists for domestic use and fire protection.

(2) That adequate disclosure and protection to the security holders exist with respect to rights and duties arising from their security holdings in a mutual water company.

(b) For purposes of this chapter, the use of the term “subdivision” has the same definition as “subdivision” as defined in Sections 11000 and 11004.5 of the Business and Professions Code.



14311. A mutual water company formed on or after January 1, 1998, in connection with the offering for sale or lease, or with the sale or lease, of lots within a subdivision and organized to sell, distribute, supply, or deliver water for domestic use to owners of lots in the subdivision shall meet all the requirements of this chapter. A mutual water company described in this section and formed before January 1, 1998, may elect to meet all the requirements of this chapter.

14312. (a) Any person who intends to offer for sale or lease lots within a subdivision within this state and to provide water for domestic use to purchasers of the lots within a subdivision through the formation of a mutual water corporation described in Section 14311, shall include as part of the application for a public report, as described in Section 11010 of the Business and Professions Code, a separate document containing all the following information, representations, and assurances:

(1) That the provisions of this chapter have been complied with.

(2) That the area in which the mutual water company proposes to deliver water encompasses and includes the entire subdivision, and when applicable, will include parcels to be annexed to the subdivision.

(3) That the mutual water company contacted the Public Utilities Commission and the county local agency formation commission to determine if the proposed area described in paragraph (2) will overlap an existing water service area or if an existing water service area could more appropriately serve the subdivision.

(4) That the mutual water company has a source of, and title to, a water supply, distribution, and fire protection system sufficient to satisfy expected demands for water from the subdivision.

(5) That copies of the contracts and other documents relating to the acquisition by the mutual water company of the water supply, distribution, and fire protection system have been delivered to, and are on file with, the mutual water company and that these contracts and



documents evidence the mutual water company's title to the water supply, distribution, and fire protection system.

(6) That the subdivider or applicant has executed and entered into a written contract with the mutual water company wherein the subdivider or applicant has agreed to pay monthly a proportional part of the repair and replacement fund according to a ratio of the number of lots owned or controlled by the subdivider or applicant to the total number of lots in the subdivision.

(7) That an engineer's report has been prepared in accordance with this chapter and Sections 260.504.2 to 260.504.2.4, inclusive, of Title 10 of the California Code of Regulations and is on file with the mutual water company.

(8) That the mutual water company will distribute potable water for domestic use and has obtained, and has on file, a copy of the certificate of the Director of Public Health, as required by Sections 116300 to 116385, inclusive, of the Health and Safety Code.

(9) That the securities of the mutual benefit water corporation will be sold or issued only to purchasers of lots in the subdivision, or to successors in interest of purchasers of lots in the subdivision, and not sold or issued to the subdivider, applicant, or to the successor in interest of the subdivider or applicant, and that the securities shall be sold or issued only after a public report for the subdivision has been issued by the Real Estate Commissioner.

(10) That the securities to be issued by the mutual water company are appurtenant to the land pursuant to Section 14300.

(11) That the water supply and distribution system will serve each lot in the subdivision and be completed prior to the issuance of the public report by the Real Estate Commissioner.

(12) That there is a statement, signed by either the engineer who prepared the engineer's report referred to in paragraph (7) or a person employed or acting on behalf of a public agency or other independent qualified person, that the water supply and distribution system has been



examined and tested and that the water supply and distribution system operates in accordance with the design standards of the water supply and distribution system required by this chapter, and that a copy of this statement is on file with the mutual water company.

(13) That the articles of incorporation or bylaws of the mutual water company contain all of the following:

(A) A statement to the effect that the mutual water company shall provide water to all members or shareholders. If there will be an owners' association of the subdivision, an additional statement that water shall also be provided to the common areas.

(B) A provision directing the board of directors to establish a rate structure that will result in the accumulation and maintenance of a fund for the repair, administration, maintenance, and replacement of the water supply, distribution, and fire protection system, that the rate charged shall bear a reasonable relationship to the cost of furnishing water and maintaining the system, and that unimproved lots included within the area to be served shall bear a proportionate share of the cost of repair and replacement of the water supply, distribution, and fire protection system, as well as a proportionate share of the cost of maintaining the fund.

(C) A statement evidencing a reasonable relationship between each unit of the securities to be issued and each unit of the area to be served such as one share of common stock issued for each subdivision lot purchased.

(D) A prohibition on the issuance of fractional shares or securities.

(E) A statement, meeting the requirements of Section 14300, that the securities are appurtenant to the land within the area to be served.

(F) Provision for the transfer of the securities, voting rights of the security holders, inspection of books and records by security holders, necessary or contemplated expansion of the facilities of the mutual water company, and further subdivision, where applicable, of the area to be served.



(G) The limitation on the salaries paid to the persons operating, or employed by, the mutual water company, including officers and directors.

(H) A provision for annual meetings of the security holders accompanied by a provision for adequate notice.

(I) A provision for the annual distribution to each security holder of fiscal yearend financial statements within 105 days of the close of the fiscal year.

(J) In the case of a mutual water company that purchases water for distribution from a public utility, municipal water company, or water district, a provision for charging all security holders a pro rata amount of the cost of water supplied to an entity providing fire protection service.

(K) A provision that a share certificate shall be issued to each lot purchased.

(L) In the case of a mutual water company serving a residential subdivision, the following statements: (i) the mutual water company shall be a separate corporation formed and organized for the purpose described in Section 14311; and (ii) if a shareholder becomes delinquent in paying assessments, the right to receive water or dividends may be denied or forfeited but those rights shall not be sold or transferred without the land.

(14) That an offering circular has been prepared and will be used in any offer and sale of the securities of the mutual water company.

(15) That the writings and documents evidencing compliance with all of the above provisions of this subdivision are on file as part of the permanent record of the mutual water company.

(b) The contracts and documents described in paragraph (5) of subdivision (a) shall include all of the following:

(1) Any bill of sale transferring all personal property used and usable in the operation of the mutual water company.

(2) A copy of any recorded deed to the wells and water tanks to be used by the mutual water company in the supply, distribution, and fire protection system.



(3) Copies of any recorded deeds granting easements for construction, repair, maintenance, and improvements of the water supply, distribution, and fire protection system.

(c) The written contract described in paragraph (6) of subdivision (a) shall provide that, in consideration of the transfer by the subdivider or applicant to the mutual water company of the water supply, distribution, and fire protection system, the mutual water company agrees to do all of the following:

(1) Sell and issue securities to the purchasers of the remaining lots in the subdivision on the same terms, except for price, if the difference is justified, for the initial purchasers.

(2) Cooperate with the subdivider or applicant in the operation, maintenance, and improvement of the present and contemplated water supply, distribution, and fire protection system.

(3) Contract with the subdivider, applicant, or a successor in interest, if a reasonable request is made to do so, for the management of the mutual water company for as long as lots in the subdivision remain unsold. The terms of the contract shall be subject to approval by the board of directors of the mutual water company, including terms related to the compensation to the subdivider, applicant, or successor in interest, if any.

(d) The offering circular described in paragraph (14) of subdivision (a) shall be delivered to each prospective purchaser of the securities and shall include, among other things, all of the following:

(1) A discussion of the water supply, distribution, and fire protection system.

(2) A summary of the opinion of the engineer along with the engineer's consent, as required by Sections 260.504.2 to 260.504.2.4, inclusive, of Title 10 of the California Code of Regulations.

(3) The area in which the mutual water company intends to provide water service.

(4) A discussion of the rights and duties of the security holders of the mutual water company as set forth in its



articles of incorporation and bylaws, including the consequence of failure to pay for water or assessments.

(5) The fact that the articles of incorporation or bylaws provide that the shares or securities of the mutual water company may not be sold separately from the right to water evidenced by the security of the mutual water company and prohibit issuance of fractional shares or securities of the mutual water company.

(6) A discussion of the certificate issued by the Director of Public Health certifying that the water is fit for domestic use.

(7) The limitation imposed on salaries to be paid to personnel operating, or employed by, the mutual water company, including officers and directors.

(8) A discussion of the transferability of the securities, the voting rights of the security holders, access to books and records, necessary or contemplated expansion of the facilities of the mutual water company, and further subdivision of the area to be served, if applicable.

(9) A discussion of the subdivider's duties with respect to maintenance and repair or replacement of the water supply, distribution, or fire protection system; and a discussion of the establishment and maintenance of the operating, repair, and replacement fund.

(e) The following exhibits shall also be attached to the offering circular:

(1) A copy of the articles of incorporation and bylaws of the mutual water company, including the articles or bylaws recorded under Section 14300.

(2) A copy of financial statements of the mutual water company. If the mutual water company has not yet commenced operations, a detailed operating budget for the first six months of operations should be included as an exhibit to the offering circular. The operating budget must include estimated monthly fees to be charged to the water users.

(3) A specimen certificate evidencing the security to be issued and meeting the requirements of Section 14300.



(f) The Real Estate Commissioner shall prescribe the form and content of the document required by this section.

14313. The engineer's report prepared pursuant to the document under Section 14312 shall contain all relevant information pertaining to the proposed water supply, distribution, and fire protection system, including, but not limited to, the following:

(a) A system map of the area to be served showing all of the following:

(1) The total acreage.

(2) The number and location of lots into which the area is or can be subdivided and the location of the connection for water service.

(3) The location of all sources of supply, principal pumping stations, diversion works, water treatment and filter plants, and storage facilities.

(4) The size, character, and location of all mains and ditches.

(5) The location of all valves and gates, gauges, interconnections with other systems, and fire hydrants.

(6) The location, size, and kind of each service pipe.

(7) The layout of all principal pumping stations and water treatment and filter plants to show size, location, and character of all major equipment, pipelines, connections, valves, and other equipment used in connection therewith.

(8) The date of construction and condition of all principal items of plant and extensions of all mains.

(b) A description of the sources of supply, including, in the case of wells, information on the depth, diameter, and casing of the well, and a statement indicating that the proposed water supply and distribution system complies with this section, supported by reports showing the sustained capacity of source of supply, or, if all or some water is to be obtained from another source, copies of contracts for obtaining such water, together with estimates of the present and ultimate water consumption in the area to be served.



(c) A statement indicating in detail the cost of the water supply, distribution, and fire protection system, and indicating the cost of any required repairs or replacement.

(d) An opinion by the engineer to the effect that the water supply, distribution, and fire protection system will adequately, dependably, and safely meet the total requirements for all water consumers under maximum consumption and will meet the requirements of Section 14314. The opinion shall have attached to it the calculations and data used in estimating the water requirements.

(e) A statement by the engineer of the estimated cost of maintenance of the system, the estimated useful life of the components of the system, the estimated cost of replacement of the system, and the monthly or annual amount which should be charged to establish a reasonable reserve for maintenance and replacement of the system based on these estimates.

14314. The water supply and distribution system of a mutual water company described in Section 14311 that proposes to distribute water for domestic use pursuant to this chapter shall comply with all of the following design standards:

(a) The system shall be adequate to maintain normal operating pressure of not less than 25 pounds per square inch, nor more than 125 pounds per square inch, at the service connection; provided, however, that during periods of hourly maximum demand, or at the time of peak seasonal loads, the pressure may be reduced to not less than 20 pounds per square inch, and during periods of hourly minimum demand the pressure may increase to not more than 150 pounds per square inch. Variations in pressure under normal operation shall not exceed 50 percent of the average operating pressure. The average operating pressure shall be determined by computing the arithmetical average of at least 24 consecutive hourly pressure readings.

(b) The quantity of water delivered to the distribution system from all source facilities shall be sufficient to



supply adequately, dependably, and safely the total requirements of all water consumers under maximum consumption, and shall be sufficient to maintain the pressure specified by subdivision (a).

(c) The distribution system shall provide at least one connection per service and, to the extent feasible, shall be designed in a property segmented grid so as to do both of the following:

(1) Minimize the extent of interruption in water service when repairs are necessary.

(2) Avoid dead ends in its water mains.

14315. (a) The mutual water company described in Section 14311 shall provide at least a minimum level of water service to its customers for fire protection purposes as an inherent part of the water system design in accordance with the standards set forth in this section. The standards set forth in this section are the minimum levels of water service that the mutual water company shall provide and shall not preclude the mutual water company from designing a fire protection system that meets higher standards, nor preclude any governmental agency from setting higher standards in any area subject to its jurisdiction. A mutual water company may request a fire protection agency to approve a fire protection system that does not meet the standards set forth in this chapter upon a showing by the mutual water company that the proposed system is adequate for fire protection purposes.

(b) In the initial construction, extension, or modification of a water system, any one of which is required to serve (1) a new user or (2) a change in use, the facilities constructed, extended, or modified shall be designed to be capable of providing, for a sustained period of at least two hours, in addition to the requirements of the average daily demand within the area to be served, the minimum flow requirements set forth below opposite the classification of land use to be served:



Land Use	Minimum Flow
1. Rural, residential with a lot density of two or fewer units per acre primarily for recreational and retirement use	250 gpm
2. Lot density of less than one single-family residential unit per acre	500 gpm
3. Lot density of one or two single-family residential units per acre	750 gpm
4. Lot density of three or more single-family residential units per acre	1,000 gpm
5. Duplex residential units, neighborhood business of one story	1,500 gpm
6. Multiple residential, one and two stories; light commercial or light industrial	2,000 gpm
7. Multiple residential, three stories or higher; heavy commercial or heavy industrial	2,500 gpm

14316. The water supply and distribution system of a mutual water company described in Section 14311 that proposes to distribute water for domestic use shall be constructed to conform with currently accepted engineering practices, and shall comply with the following construction standards where possible:

(a) Water mains to be installed below the frost level or otherwise protected to prevent freezing and shall not have less than 30 inches of cover over the top of the pipe in public streets or alleys except where such depth is rendered impossible by underground obstructions or rocky or hardpan conditions.

(b) The size, design, material, and installation of service pipes shall conform to the reasonable requirements of the mutual water company; provided, however, that the minimum size of the pipe shall be ³/₄ inch or greater nominal size. Except where services are not intended for use during freezing weather and arrangements are made to drain service pipes prior to freezing weather, and except at terminations in connection with the meter or water consumer's piping, all service pipes shall be laid at a depth sufficient to prevent freezing.



14317. The fire protection system of a mutual water company shall be constructed to conform with currently accepted engineering practices, and shall comply with the following construction standards:

(a) The flows set forth in Section 14315 shall be calculated on the basis of a residual pressure of 20 p.s.i.g. in the distribution system under flowing conditions.

(b) Fire hydrants shall be attached to the distribution systems at the locations designated by the entity responsible for their use for firefighting purposes. Any new mains to which a hydrant may be attached shall not be less than six inches in diameter.

(c) Each separately operated water system shall not have less than two independent sources of supply.

14318. The mutual water company shall be financially responsible for the maintenance, repair, or replacement of fire hydrants. A mutual water company shall perform and record annual flow tests pursuant to Section 14317 or, in lieu of the annual flow test under Section 14317, any test to determine available flow performed by a fire protection agency. The recorded test results shall become part of the mutual water company's books and records.

SEC. 4. Part 8 (commencing with Section 14350) is added to Division 3 of Title 1 of the Corporations Code, to read:

**PART 8. BRIDGE, FERRY, WHARF, CHUTE, AND
PIER CORPORATIONS**

14350. A corporation may not construct, or take tolls on, a bridge, ferry, wharf, chute, or pier until authority is granted therefor by the board of supervisors, or other governing body, as appropriate.

14351. Every corporation that has heretofore or may hereafter be incorporated may be dissolved under either of the following conditions:

(a) If within one year from filing its articles of incorporation, it has not obtained authority from the board of supervisors, or other governing body, and if, within one year thereafter, it has not commenced the



construction of the bridge, wharf, chute, or pier, and if, within two years after obtaining authority, there has not been actually expended thereon a sum equal to at least 10 percent of the issued capital stock of the corporation obtaining authority.

(b) If within seven years from the time that authority to construct the bridge, wharf, chute, or pier was granted by the board of supervisors, or within that further time as the board may lawfully grant, the bridge, wharf, chute, or pier is not completed. However, the board of supervisors may from time to time by order extend the time of completion beyond seven years, if the actual and physical work of constructing the bridge, wharf, chute, or pier has been diligently prosecuted from the time of commencement thereof up to the time that application for the extension or extensions beyond seven years is presented to the board of supervisors.

(c) If, when the bridge, wharf, chute, or pier of the corporation is destroyed, it is not reconstructed and ready for use within three years thereafter.

(d) If the ferry of a corporation is not in running order within one year after authority is obtained to establish it, or if at any time thereafter it ceases for a like term consecutively to perform the duties imposed by law.

14352. The president and secretary of every bridge, ferry, wharf, chute, or pier corporation shall annually, under oath, report to the board of supervisors, or other governing body having authority in that behalf, of the county in which the articles of incorporation are filed all of the following:

(a) The cost of constructing and providing all necessary appendages and appurtenances for its bridge, ferry, wharf, chute, or pier.

(b) The amount of all moneys expended thereon, since its construction, for repairs and incidental expenses.

(c) The amount of its capital stock, how much paid in, and how much actually expended thereof.

(d) The amount received during the year for tolls, and from all other sources, stating each separately.



(e) The amount of dividends made, and the indebtedness of the corporation, specifying for what it was incurred.

(f) Other facts and particulars respecting the business of the corporation, as the board of supervisors or other governing body having authority in that behalf may require.

The president and secretary shall cause this report to be published for four weeks in a daily newspaper published nearest the bridge, ferry, wharf, pier, or chute, if required by order of the board of supervisors or other governing body having authority in that behalf. A failure to make the report subjects the corporation to a penalty of two hundred dollars (\$200) and, for every week permitted to elapse after that failure, an additional penalty of fifty dollars (\$50), payable in each case to the county from which the authority of the corporation was derived. All these cases shall be reported by the board of supervisors, or other governing body having authority in that behalf, to the district attorney or city attorney, who must commence an action therefor.

14353. When a bridge, ferry, wharf, chute, or pier is constructed, operated, or owned by a natural person, this part is applicable to that person in like manner as it is applicable to corporations.

SEC. 5. Part 9 (commencing with Section 14400) is added to Division 3 of Title 1 of the Corporations Code, to read:

PART 9. CABLE TELEVISION CORPORATIONS

14400. Any person who willfully and maliciously does any injury to any property of a cable television corporation is liable to the corporation for three times the amount of actual damages sustained thereby, to be recovered in any court of competent jurisdiction.

SEC. 6. Part 10 (commencing with Section 14450) is added to Division 3 of Title 1 of the Corporations Code, to read:



PART 10. WATER AND CANAL CORPORATIONS

14450. No corporation formed to supply any city, city and county, or town with water shall do so unless previously authorized by an ordinance of the authorities thereof, or unless it is done in conformity with a contract entered into between the city, city and county, or town and the corporation. Contracts so made are valid and binding in law, but do not take from the city, city and county, or town the right to regulate the rates for water, nor shall any exclusive right be granted. No contract or grant shall be made for a term exceeding 50 years.

14451. (a) All corporations formed to supply water to cities or towns shall furnish pure freshwater to the inhabitants thereof, for domestic uses, as long as the supply permits, at reasonable rates and without distinction of persons, upon proper demand therefor, and shall furnish water to the extent of their means, in case of fire or other great necessity, free of charge. The board of supervisors, or the proper city or town authorities, may prescribe proper rules relating to the delivery of water, not inconsistent with the laws of the state.

(b) (1) A corporation formed to supply water to cities or towns shall not charge, levy, assess, fix, or collect any charge, tax, fee, rate, assessment, or levy of any kind whatsoever in connection with its water system on or from any entity providing fire protection services to others for supplying water for those fire protection purposes within the service area of the corporation or for any costs of operation, installation, capital, maintenance, repair, alteration, or replacement of facilities related to supplying water for the fire protection purposes within the service area of the corporation, except pursuant to a written agreement with the entity providing fire protection services.

(2) Paragraph (1) of this subdivision does not restrict or limit a corporation formed to supply water to cities or towns from levying charges for water service or facilities, including water for fire protection purposes, on any



person, property, or entity, whether public or private, other than on an entity providing fire protection service.

These charges shall be collected from other persons, property, or entities pursuant to existing provisions of law that authorize the charges, or from an entity providing fire protection services only pursuant to the written agreement authorizing the charges.

(3) For the purposes of this subdivision, “entity providing fire protection service” means a city, county, or city and county, whether general law or chartered, or a fire company, fire protection district, or any other person, association, company, corporation, district, municipal corporation, or any other public or private entity, which public or private entity or person provides fire protection services to any other public or private entity or person.

14452. Whenever any corporation, organized under the laws of this state, furnishes water to irrigate lands that the corporation has sold, the right to the flow and use of that water is and shall remain a perpetual easement to the land so sold, at any rates and terms that may be established by the corporation in pursuance of law. Whenever any person who is cultivating land on the line and within the flow of any ditch owned by the corporation, has been furnished water by it with which to irrigate his or her land, that person shall be entitled to the continued use of that water, upon the same terms as those who have purchased their land from the corporation.

SEC. 7. Part 11 (commencing with Section 14500) is added to Division 3 of Title 1 of the Corporations Code, to read:

**PART 11. SOCIETIES FOR THE PREVENTION OF
CRUELTY TO CHILDREN AND ANIMALS**

14500. This title extends to all corporations heretofore formed and existing for the prevention of cruelty to children or animals, but do not extend or apply to any association, society, or corporation that uses or specifies a name or style of the same, or substantially the same, as



that of any previously existing society or corporation in this state organized for a like purpose.

14501. Every society, incorporated and organized for the prevention of cruelty to animals, or for the prevention of cruelty to children, may, in each city, or city and county, or county, where the society exists, while actively engaged in enforcing the provisions of laws of this state, now or hereafter enacted, for the prevention of cruelty to animals, or children, or arresting, or prosecuting offenders thereunder or preventing cruelty to animals or children, be paid as compensation therefor, from the city or county, or city and county general fund, by the board of supervisors or other governing body thereof, a sum not exceeding five hundred dollars (\$500) per calendar month, in the same manner as other claims against said city or county, or city and county, are paid.

14502. (a) (1) (A) (i) On and after July 1, 1996, no entity, other than a humane society or society for the prevention of cruelty to animals, shall be eligible to apply for an appointment of any individual as a level 1 or level 2 humane officer, the duty of which shall be the enforcement of the laws for the prevention of cruelty to animals.

(ii) On and after July 1, 1996, only a person who meets the requirements of this section may be appointed as, or perform the duties of, a humane officer.

(iii) Any person appointed as a humane officer prior to July 1, 1996, may continue to serve as a humane officer until the expiration of the term of appointment only if the appointing agency maintains records pursuant to subparagraph (C) documenting that both the appointing agency and the humane officer meet the requirements of this section.

(B) Each humane society or society for the prevention of cruelty to animals that makes application to the court for the appointment of an individual to act as a level 1 or level 2 humane officer for the humane society or society for the prevention of cruelty to animals shall provide with the application documentation that demonstrates that



the person has satisfactorily completed the training requirements set forth in subdivision (i).

(C) Each humane society or society for the prevention of cruelty to animals for which an individual is acting as a level 1 or level 2 humane officer shall maintain complete and accurate records documenting that the individual has successfully completed all requirements established in this section and shall make those records available, upon request, to the superior court, the Attorney General, or any entity duly authorized to review that information, including the State Humane Association of California. The records shall include the full name and address of each level 1 or level 2 humane officer.

(2) Any corporation incorporated for the purpose of the prevention of cruelty to animals that possesses insurance of at least one million dollars (\$1,000,000) for liability for bodily injury or property damage may, six months after the date of its incorporation and by resolution of its board of directors or trustees duly entered on its minutes, appoint any number of persons, who shall be citizens of the State of California, as humane officers, provided that the individuals to be appointed have met the training guidelines set forth in subdivision (i).

(3) Each appointment of a humane officer shall be by separate resolution. The resolution shall state the full name and address of the appointing agency, the full name of the person so appointed, and the fact that he or she is a citizen of the State of California, and shall also designate the number of the badge to be allotted to the officer.

(b) The humane society or society for the prevention of cruelty to animals shall recommend any appointee to the judge of the superior court in and for the county or city and county in which the humane society is incorporated, and shall deliver to the judge a copy of the resolution appointing the person, duly certified to be correct by the president and secretary of the corporation and attested by its seal, together with the fingerprints of the appointee taken on standard 8×8-inch cards, proof of the society's proper incorporation in compliance with Part 9 (commencing with Section 10400) of Division 2, a



copy of the society's liability for bodily injury or property damage insurance policy in the amount of at least one million dollars (\$1,000,000), and documentation establishing that the appointee has satisfactorily completed the training requirements set forth in this section.

(c) The judge shall send a copy of the resolution, together with the fingerprints of the appointee, to the Department of Justice, which shall thereupon submit to the judge, in writing, a report of the record in its possession, if any, of the appointee. If the Department of Justice has no record of the appointee, it shall so report to the judge in writing.

(d) Upon receipt of the report the judge shall review the matter of the appointee's qualifications and fitness to act as a humane officer and, if he or she reaffirms the appointment, shall so state on a court order confirming the appointment. The appointee shall thereupon file a certified copy of the reviewed court order in the office of the county clerk of the county or city and county and shall, at the same time, take and subscribe the oath of office prescribed for constables or other peace officers.

(e) The county clerk shall thereupon immediately enter in a book to be kept in his or her office and designated "Record of Humane Officers" the name of the officer, the name of the agency appointing him or her, the number of his or her badge, the name of the judge appointing him or her, and the date of the filing. At the time of the filing the county clerk shall collect from the officer a fee of five dollars (\$5), which shall be in full for all services to be performed by the county clerk under this section.

(f) All appointments of humane officers shall automatically expire if the society disbands or legally dissolves. In addition, all appointments of humane officers shall automatically expire within three years from the date on which the certified copy of the court order was filed with the county clerk. Officers whose appointments are about to expire may only be



reappointed after satisfactorily completing the continuing education and training set forth in this section.

(g) (1) The corporation appointing an officer may revoke an appointment at any time by filing in the office of the county clerk in which the appointment of the officer is recorded a copy of the revocation in writing under the letterhead of the corporation and duly certified by its executive officer. Upon the filing the county clerk shall enter the fact of the revocation and the date of the filing thereof opposite the name of the officer in the record of humane officers.

(2) Notwithstanding paragraph (1), a revocation hearing may be initiated by petition from any duly authorized sheriff or local police agency or the State Humane Association of California. The petition shall show cause why an appointment should be revoked and shall be made to the superior court in the jurisdiction of the appointment.

(h) The corporation or local humane society appointing the humane officer shall pay the training expenses of the humane officer attending the training required pursuant to this section.

(i) (1) (A) A level 1 humane officer is not a peace officer, but may exercise the powers of a peace officer at all places within the state in order to prevent the perpetration of any act of cruelty upon any animal and to that end may summon to his or her aid any bystander. A level 1 humane officer may use reasonable force necessary to prevent the perpetration of any act of cruelty upon any animal.

(B) A level 1 humane officer may make arrests for the violation of any penal law of this state relating to or affecting animals in the same manner as any peace officer and may also serve search warrants.

(C) A level 1 humane officer is authorized to carry firearms while exercising the duties of a humane officer, upon satisfactory completion of the training specified in subparagraph (D) and the basic training for a level 1 reserve officer by the Commission on Peace Officer



Standards and Training pursuant to Section 13510.1 of the Penal Code.

(D) A level 1 humane officer shall, prior to appointment, provide evidence satisfactory to the appointing agency that he or she has successfully completed courses of training in the following subjects:

(i) At least 20 hours of a course of training in animal care sponsored or provided by an accredited postsecondary institution or any other provider approved by the California Veterinary Medical Association, the focus of which shall be the identification of disease, injury, and neglect in domestic animals and livestock.

(ii) At least 40 hours of a course of training in the state humane laws relating to the powers and duties of a humane officer, sponsored or provided by an accredited postsecondary institution, law enforcement agency, or the State Humane Association of California.

(E) A person may not be appointed as a level 1 humane officer until he or she has satisfied the requirements in Sections 1029, 1030, and 1031 of the Government Code. A humane society or society for the prevention of cruelty to animals shall complete a background investigation, using standards defined by the Commission on Peace Officer Standards and Training as guidelines for all level 1 humane officer appointments.

(F) In order to be eligible for reappointment, a level 1 humane officer shall complete ongoing weapons training and range qualifications at least every six months pursuant to subdivision (s) of Section 830.3 of the Penal Code and shall, every three years, complete 40 hours of continuing education and training relating to the powers and duties of a humane officer, which education and training shall be provided by an accredited postsecondary institution, law enforcement agency, or the State Humane Association of California.

(G) (i) Notwithstanding any other provision of this section, a level 1 humane officer may carry firearms only if authorized by, and only under the terms and conditions specified by, his or her appointing agency.



(ii) Notwithstanding any other provision of this section, a level 1 humane officer shall not be authorized to carry firearms unless and until his or her appointing agency has adopted a policy on the use of deadly force by its officers and the officer has been instructed in that policy.

(2) (A) A level 2 humane officer is not a peace officer, but may exercise the powers of a peace officer at all places within the state in order to prevent the perpetration of any act of cruelty upon any animal and to that end may summon to his or her aid any bystander. A level 2 humane officer may use reasonable force necessary to prevent the perpetration of any act of cruelty upon any animal.

(B) A level 2 humane officer may make arrests for the violation of any penal law of this state relating to or affecting animals in the same manner as any peace officer and may serve search warrants during the course and within the scope of employment, upon the successful completion of a course relating to the exercise of the police powers specified in Section 832 of the Penal Code, except the power to carry and use firearms.

(C) A level 2 humane officer is not authorized to carry firearms.

(D) A level 2 humane officer shall, prior to appointment, provide evidence satisfactory to the appointing agency that he or she has successfully completed courses of training in the following subjects:

(i) At least 20 hours of a course of training in animal care sponsored or provided by an accredited postsecondary institution or any other provider approved by the California Veterinary Medical Association, the focus of which is the identification of disease, injury, and neglect in domestic animals and livestock.

(ii) At least 40 hours of a course of training in the state humane laws relating to the powers and duties of a humane officer, sponsored or provided by an accredited postsecondary institution, law enforcement agency, or the State Humane Association of California.

(E) In order to be eligible for reappointment, a level 2 humane officer shall, every three years, complete 40



hours of continuing education and training relating to the powers and duties of a humane officer, which education and training shall be provided by an accredited postsecondary institution, law enforcement agency, or the State Humane Association of California.

(j) Every humane officer shall, when making an arrest, exhibit and expose a suitable badge to be adopted by the corporation under this title of which he or she is a member which shall bear its name and a number. Uniforms worn by humane officers shall prominently display the name of the appointing agency. Humane officer uniforms shall not display the words “state” or “California,” unless part of the appointing agency’s incorporated name.

(k) Any person resisting a humane officer in the performance of his or her duty as provided in this section, is guilty of a misdemeanor. Any person who has not been appointed and qualified as a humane officer as provided in this section, or whose appointment has been revoked as provided in this section, or whose appointment, having expired, has not been renewed as provided in this section, who shall represent himself or herself to be or shall attempt to act as an officer shall be guilty of a misdemeanor.

(l) No humane officer shall serve a search warrant without providing prior notice to local law enforcement agencies operating within that jurisdiction.

(m) Any humane society, society for the prevention of cruelty to animals, or person, who knowingly provides a court with false or forged documentation for the appointment of a humane officer, is guilty of a misdemeanor and shall be punished by a fine of up to ten thousand dollars (\$10,000).

(n) A humane society or a society for the prevention of cruelty to animals shall notify the sheriff of the county in which the society is incorporated, prior to appointing a humane officer, of the society’s intent to enforce laws for the prevention of cruelty to animals. Humane societies or societies for the prevention of cruelty to animals incorporated and enforcing animal cruelty laws



prior to January 1, 1996, that intend to continue to enforce those laws, shall notify the sheriff of the county in which the society is incorporated by March 1, 1996.

(o) Except as otherwise provided by this section, a humane officer shall serve only in the county in which he or she is appointed. A humane officer may serve temporarily in a county other than that in which he or she is appointed if the humane officer gives notice requesting consent to the sheriff of the county in which he or she intends to serve, and acquires consent from the sheriff of the county in which he or she intends to serve, or from a person authorized by the sheriff to give that consent. A sheriff shall promptly respond to any request by a humane officer to serve in his or her jurisdiction and any request shall not be unreasonably denied.

14503. The governing body of a local agency, by ordinance, may authorize employees of public pounds, societies for the prevention of cruelty to animals, and humane societies, who have qualified as humane officers pursuant to Section 14502, and which societies or pounds have contracted with such local agency to provide animal care or protection services, to issue notices to appear in court pursuant to Chapter 5c (commencing with Section 853.5) of Title 3 of Part 2 of the Penal Code for violations of state or local animal control laws. Those employees shall not be authorized to take any person into custody even though the person to whom the notice is delivered does not give his or her written promise to appear in court. The authority of these employees is to be limited to the jurisdiction of the local agency authorizing the employees.

SEC. 8. Part 12 (commencing with Section 14550) is added to Division 3 of Title 1 of the Corporations Code, to read:

PART 12. NONPROFIT COOPERATIVE
AGRICULTURAL MARKETING ASSOCIATIONS

14550. In order to promote, foster, and encourage the intelligent and orderly marketing of agricultural



products through cooperation; to eliminate speculation and waste; to make the distribution of agricultural products between producer and consumer as direct as can be efficiently done; and to stabilize the marketing of agricultural products, this act is passed.

14551. It is here recognized that agriculture is characterized by individual production in contrast to the group or factory system that characterizes other forms of industrial production; and that the ordinary form of corporate organization permits industrial groups to combine for the purpose of group production and the ensuing group marketing; and that the public has an interest in permitting farmers to bring their industry to the high degree of efficiency and merchandising skill evidenced in the manufacturing industries; and that the public interest urgently needs to prevent the migration from the farm to the city in order to keep up farm production and to preserve the agricultural supply of the nation; and that the public interest demands that the farmer be encouraged to attain a superior and more direct system of marketing in the substitution of merchandising for the blind, unscientific, and speculative selling of crops.

SEC. 9. Section 25100 of the Corporations Code is amended to read:

25100. The following securities are exempted from Sections 25110, 25120, and 25130:

(a) Any security (including a revenue obligation) issued or guaranteed by the United States, any state, any city, county, city and county, public district, public authority, public corporation, public entity, or political subdivision of a state or any agency or corporate or other instrumentality of any one or more of the foregoing; or any certificate of deposit for any of the foregoing.

(b) Any security issued or guaranteed by Canada, any Canadian province, any political subdivision or municipality of that province, or by any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or



guarantor; or any certificate of deposit for any of the foregoing.

(c) Any security issued or guaranteed by and representing an interest in or a direct obligation of a national bank or a bank or trust company incorporated under the laws of this state, and any security issued by a bank to one or more other banks and representing an interest in an asset of the issuing bank.

(d) Any security issued or guaranteed by a federal savings association or federal savings bank or federal land bank or joint land bank or national farm loan association or by any savings association, as defined in subdivision (a) of Section 5102 of the Financial Code, which is subject to the supervision and regulation of the Commissioner of Financial Institutions of this state.

(e) Any security (other than an interest in all or portions of a parcel or parcels of real property which are subdivided land or a subdivision or in a real estate development), the issuance of which is subject to authorization by the Insurance Commissioner, the Public Utilities Commission, or the Real Estate Commissioner of this state.

(f) Any security consisting of any interest in all or portions of a parcel or parcels of real property which are subdivided lands or a subdivision or in a real estate development; provided that the exemption in this subdivision shall not be applicable to: (1) any investment contract sold or offered for sale with, or as part of that interest, or (2) any person engaged in the business of selling, distributing, or supplying water for irrigation purposes or domestic use that is not a public utility except that the exemption is applicable to any security of a mutual water company (other than an investment contract described in paragraph (1)) offered or sold in connection with subdivided lands pursuant to Chapter 2 (commencing with Section 14310) of Part 7 of Division 3 of Title 1.

(g) Any mutual capital certificates or savings accounts, as defined in the Savings Association Law, issued by a savings association, as defined by subdivision (a) of



Section 5102 of the Financial Code, and holding a license or certificate of authority then in force from the Commissioner of Financial Institutions of this state.

(h) Any security issued or guaranteed by any federal credit union, or by any credit union organized and supervised, or regulated, under the Credit Union Law.

(i) Any security issued or guaranteed by any railroad, other common carrier, public utility, or public utility holding company which is (1) subject to the jurisdiction of the Interstate Commerce Commission or its successor or (2) a holding company registered with the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or a subsidiary of that company within the meaning of that act or (3) regulated in respect of the issuance or guarantee of the security by a governmental authority of the United States, of any state, of Canada or of any Canadian province; and the security is subject to registration with or authorization of issuance by that authority.

(j) Any security (except evidences of indebtedness, whether interest bearing or not) of an issuer (1) organized exclusively for educational, benevolent, fraternal, religious, charitable, social, or reformatory purposes and not for pecuniary profit, if no part of the net earnings of the issuer inures to the benefit of any private shareholder or individual, or (2) organized as a chamber of commerce or trade or professional association. The fact that amounts received from memberships or dues or both will or may be used to construct or otherwise acquire facilities for use by members of the nonprofit organization does not disqualify the organization for this exemption. This exemption does not apply to the securities of any nonprofit organization if any promoter thereof expects or intends to make a profit directly or indirectly from any business or activity associated with the organization or operation of that nonprofit organization or from remuneration received from that nonprofit organization.

(k) Any agreement, commonly known as a “life income contract,” of an issuer (1) organized exclusively



for educational, benevolent, fraternal, religious, charitable, social, or reformatory purposes and not for pecuniary profit and (2) which the commissioner designates by rule or order, with a donor in consideration of a donation of property to that issuer and providing for the payment to the donor or persons designated by him or her of income or specified periodic payments from the donated property or other property for the life of the donor or those other persons.

(l) Any note, draft, bill of exchange, or banker's acceptance which is freely transferable and of prime quality, arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace, or any renewal of that paper which is likewise limited, or any guarantee of that paper or of that renewal, provided that the paper is not offered to the public in amounts of less than twenty-five thousand dollars (\$25,000) in the aggregate to any one purchaser. In addition, the commissioner may, by rule or order, exempt any issuer of any notes, drafts, bills of exchange or banker's acceptances from qualification of those securities when the commissioner finds that the qualification is not necessary or appropriate in the public interest or for the protection of investors.

(m) Any security issued by any corporation organized and existing under the provisions of Chapter 1 (commencing with Section 54001) of Division 20 of the Food and Agricultural Code.

(n) Any beneficial interest in an employees' pension, profit-sharing, stock bonus or similar benefit plan which meets the requirements for qualification under Section 401 of the federal Internal Revenue Code or any statute amendatory thereof or supplementary thereto. A determination letter from the Internal Revenue Service stating that an employees' pension, profit-sharing, stock bonus or similar benefit plan meets those requirements shall be conclusive evidence that the plan is an employees' pension, profit-sharing, stock bonus or similar



benefit plan within the meaning of the first sentence of this subdivision until the date the determination letter is revoked in writing by the Internal Revenue Service, regardless of whether or not the revocation is retroactive.

(o) Any security listed or approved for listing upon notice of issuance on a national securities exchange or designated or approved for designation upon notice of issuance as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc., if the exchange or interdealer quotation system has been certified by rule or order of the commissioner and any warrant or right to purchase or subscribe to the security. The exemption afforded by this subdivision does not apply to securities listed or designated, or approved for listing or designation upon notice of issuance, in a rollup transaction unless the rollup transaction is an eligible rollup transaction as defined in Section 25014.7.

That certification of any exchange or system shall be made by the commissioner upon the written request of the exchange or system if the commissioner finds that the exchange or system: (i) in acting on applications for listing of common stock substantially applies the minimum standards set forth in either alternative (A) or (B) of paragraph (1), and (ii) in considering suspension or removal from listing or designation, substantially applies each of the criteria set forth in paragraph (2).

(1) Listing standards:

(A) (i) Shareholders' equity of at least four million dollars (\$4,000,000).

(ii) Pretax income of at least seven hundred fifty thousand dollars (\$750,000) in the issuer's last fiscal year or in two of its last three fiscal years.

(iii) Minimum public distribution of 500,000 shares (exclusive of the holdings of officers, directors, controlling shareholders, and other concentrated or family holdings), together with a minimum of 800 public holders or minimum public distribution of 1,000,000 shares together with a minimum of 400 public holders. The exchange or system may also consider the listing or



designation of a company's securities if the company has a minimum of 500,000 shares publicly held, a minimum of 400 shareholders and daily trading volume in the issue has been approximately 2,000 shares or more for the six months preceding the date of application. In evaluating the suitability of an issue for listing or designation under this trading provision, the exchange or system shall review the nature and frequency of that activity and any other factors as it may determine to be relevant in ascertaining whether the issue is suitable for trading. A security which trades infrequently shall not be considered for listing or designation under this paragraph even though average daily volume amounts to 2,000 shares per day or more.

Companies whose securities are concentrated in a limited geographical area, or whose securities are largely held in block by institutional investors, normally may not be considered eligible for listing or designation unless the public distribution appreciably exceeds 500,000 shares.

(iv) Minimum price of three dollars (\$3) per share for a reasonable period of time prior to the filing of a listing or designation application; provided, however, in certain instances an exchange or system may favorably consider listing an issue selling for less than three dollars (\$3) per share after considering all pertinent factors, including market conditions in general, whether historically the issue has sold above three dollars (\$3) per share, the applicant's capitalization, and the number of outstanding and publicly held shares of the issue.

(v) An aggregate market value for publicly held shares of at least three million dollars (\$3,000,000).

(B) (i) Shareholders' equity of at least four million dollars (\$4,000,000).

(ii) Minimum public distribution set forth in clause (iii) of subparagraph (A) of paragraph (1).

(iii) Operating history of at least three years.

(iv) An aggregate market value for publicly held shares of at least fifteen million dollars (\$15,000,000).

(2) Criteria for consideration of suspension or removal from listing:



(i) If a company which (A) has shareholders' equity of less than one million dollars (\$1,000,000) has sustained net losses in each of its two most recent fiscal years, or (B) has net tangible assets of less than three million dollars (\$3,000,000) and has sustained net losses in three of its four most recent fiscal years.

(ii) If the number of shares publicly held (excluding the holdings of officers, directors, controlling shareholders and other concentrated or family holdings) is less than 150,000.

(iii) If the total number of shareholders is less than 400 or if the number of shareholders of lots of 100 shares or more is less than 300.

(iv) If the aggregate market value of shares publicly held is less than seven hundred fifty thousand dollars (\$750,000).

(v) If shares of common stock sell at a price of less than three dollars (\$3) per share for a substantial period of time and the issuer shall fail to effectuate a reverse stock split of the shares within a reasonable period of time after being requested by the exchange to take that action.

A national securities exchange or interdealer quotation system of the National Association of Securities Dealers, Inc. certified by rule or order of the commissioner under this subdivision shall file annual reports when requested to do so by the commissioner. The annual reports shall contain, by issuer: the variances granted to an exchange's listing standards or interdealer quotation system's designation criteria, including variances from corporate governance and voting rights' standards, for any security of that issuer; the reasons for the variances; a discussion of the review procedure instituted by the exchange or interdealer quotation system to determine the effect of the variances on investors and whether the variances should be continued; and any other information that the commissioner deems relevant. The purpose of these reports is to assist the commissioner in determining whether the quantitative and qualitative requirements of this subdivision are substantially being met by the



exchange or system in general or with regard to any particular security.

The commissioner after appropriate notice and opportunity for hearing in accordance with the provisions of the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, may, in his or her discretion, by rule or order, decertify any exchange or interdealer quotation system previously certified which ceases substantially to apply the minimum standards or criteria as set forth in paragraphs (1) and (2).

A rule or order of certification shall conclusively establish that any security listed or approved for listing upon notice of issuance on any exchange, or designated or approved for designation upon issuance as a national market system security on any interdealer quotation system, named in a rule or order of certification, and any warrant or right to purchase or subscribe to that security, is exempt under this subdivision until the adoption by the commissioner of any rule or order decertifying the exchange or interdealer quotation system.

(p) A promissory note secured by a lien on real property, which is neither one of a series of notes of equal priority secured by interests in the same real property nor a note in which beneficial interests are sold to more than one person or entity.

(q) Any unincorporated interindemnity or reciprocal or interinsurance contract, which qualifies under the provisions of Section 1280.7 of the Insurance Code, between members of a cooperative corporation, organized and operating under Part 2 (commencing with Section 12200) of Division 3 of Title 1, and whose members consist only of physicians and surgeons licensed in California, which contracts indemnify solely in respect to medical malpractice claims against the members, and which do not collect in advance of loss any moneys other than contributions by each member to a collective reserve trust fund or for necessary expenses of administration.



(1) Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of Section 1280.7 of the Insurance Code, the commissioner may in the commissioner's discretion bring an action in the name of the people of the State of California in the superior court to enjoin the acts or practices or to enforce compliance with Section 1280.7 of the Insurance Code. Upon a proper showing a permanent or preliminary injunction, restraining order or writ of mandate shall be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets.

(2) The commissioner may, in the commissioner's discretion, (A) make public or private investigations within or outside of this state as the commissioner deems necessary to determine whether any person has violated or is about to violate any provision of Section 1280.7 of the Insurance Code or to aid in the enforcement of Section 1280.7, and (B) publish information concerning the violation of Section 1280.7.

(3) For the purpose of any investigation or proceeding under this section, the commissioner or any officer designated by the commissioner may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the commissioner deems relevant or material to the inquiry.

(4) In case of contumacy by, or refusal to obey a subpoena issued to, any person, the superior court, upon application by the commissioner, may issue to the person an order requiring the person to appear before the commissioner, or the officer designated by the commissioner, there to produce documentary evidence, if so ordered, or to give evidence touching the matter under investigation or in question. Failure to obey the order of the court may be punished by the court as a contempt.

(5) No person is excused from attending or testifying or from producing any document or record before the



commissioner or in obedience to the subpoena of the commissioner or any officer designated by the commissioner, or in any proceeding instituted by the commissioner, on the ground that the testimony or evidence (documentary or otherwise), required of the person may tend to incriminate the person or subject the person to a penalty or forfeiture, but no individual may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which the person is compelled, after validly claiming the privilege against self-incrimination, to testify or produce evidence (documentary or otherwise), except that the individual testifying is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

(6) The cost of any review, examination, audit, or investigation made by the commissioner under Section 1280.7 of the Insurance Code shall be paid to the commissioner by the person subject to the review, examination, audit, or investigation, and the commissioner may maintain an action for the recovery of these costs in any court of competent jurisdiction. In determining the cost, the commissioner may use the actual amount of the salary or other compensation paid to the persons making the review, examination, audit, or investigation plus the actual amount of expenses including overhead reasonably incurred in the performance of the work.

The recoverable cost of each review, examination, audit, or investigation made by the commissioner under Section 1280.7 of the Insurance Code shall not exceed twenty-five thousand dollars (\$25,000), except that costs exceeding twenty-five thousand dollars (\$25,000) shall be recoverable if the costs are necessary to prevent a violation of any provision of Section 1280.7 of the Insurance Code.

(r) Any shares or memberships issued by any corporation organized and existing pursuant to the provisions of Part 2 (commencing with Section 12200) of Division 3 of Title 1, provided the aggregate investment



of any shareholder or member in shares or memberships sold pursuant to this subdivision does not exceed three hundred dollars (\$300). This exemption does not apply to the shares or memberships of that corporation if any promoter thereof expects or intends to make a profit directly or indirectly from any business or activity associated with the corporation or the operation of the corporation or from remuneration, other than reasonable salary, received from the corporation. This exemption does not apply to nonvoting shares or memberships of that corporation issued to any person who does not possess, and who will not acquire in connection with the issuance of nonvoting shares or memberships, voting power (Section 12253) in the corporation. This exemption also does not apply to shares or memberships issued by a nonprofit cooperative corporation organized to facilitate the creation of an unincorporated interindemnity arrangement that provides indemnification for medical malpractice to its physician and surgeon members as set forth in subdivision (q).

(s) Any security consisting of or representing an interest in a pool of mortgage loans which meets each of the following requirements:

(1) The pool consists of whole mortgage loans or participation interests in those loans, which loans were originated or acquired in the ordinary course of business by a national bank or federal savings association or federal savings bank having its principal office in this state, by a bank incorporated under the laws of this state or by a savings association as defined in subdivision (a) of Section 5102 of the Financial Code and which is subject to the supervision and regulation of the Commissioner of Financial Institutions, and each of which at the time of transfer to the pool is an authorized investment for the originating or acquiring institution.

(2) The pool of mortgage loans is held in trust by a trustee which is a financial institution specified in paragraph (1) as trustee or otherwise.

(3) The loans are serviced by a financial institution specified in paragraph (1).



(4) The security is not offered in amounts of less than twenty-five thousand dollars (\$25,000) in the aggregate to any one purchaser.

(5) The security is offered pursuant to a registration under the Securities Act of 1933, or pursuant to an exemption under Regulation A under that act, or in the opinion of counsel for the issuer, is offered pursuant to an exemption under Section 4(2) of that act.

(t) (1) Any security issued or guaranteed by and representing an interest in or a direct obligation of an industrial loan company incorporated under the laws of the state and authorized by the Commissioner of Financial Institutions to engage in industrial loan business.

(2) Any investment certificate in or issued by any industrial loan company that is organized under the laws of a state of the United States other than this state, that is insured by the Federal Deposit Insurance Corporation, and that maintains a branch office in this state.

(u) Any security issued by an issuer registered as an open-end management company or unit investment trust under the Investment Company Act of 1940, provided that all of the following requirements are met:

(1) The registration statement for the securities is currently effective under the Securities Act of 1933.

(2) Prior to any offer or sale in this state of securities claimed to be exempt under this subdivision, there is filed with or paid to the commissioner each of the following:

(A) A notice of intention to sell that has been executed by the issuer and that includes the name and address of the issuer and the name of the securities to be offered and sold under this subdivision.

(B) A copy of the current prospectus to be used in the offer and sale of the security.

(C) The fee provided in subdivision (f) of Section 25608.

If any offer or sale is made pursuant to this exemption more than 12 months after the date the notice was filed under this subdivision, the issuer shall file another notice of intention to sell, a copy of the prospectus the issuer is



currently utilizing for the purpose of making that offer, and the fee specified in subparagraph (C) of paragraph (2).

SEC. 9.5. Section 25100 of the Corporations Code, as amended by Chapter 1064 of the Statutes of 1996, is amended to read:

25100. The following securities are exempted from Sections 25110, 25120, and 25130:

(a) Any security (including a revenue obligation) issued or guaranteed by the United States, any state, any city, county, city and county, public district, public authority, public corporation, public entity, or political subdivision of a state or any agency or corporate or other instrumentality of any one or more of the foregoing; or any certificate of deposit for any of the foregoing.

(b) Any security issued or guaranteed by Canada, any Canadian province, any political subdivision or municipality of that province, or by any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor; or any certificate of deposit for any of the foregoing.

(c) Any security issued or guaranteed by and representing an interest in or a direct obligation of a national bank or a bank or trust company incorporated under the laws of this state, and any security issued by a bank to one or more other banks and representing an interest in an asset of the issuing bank.

(d) Any security issued or guaranteed by a federal savings association or federal savings bank or federal land bank or joint land bank or national farm loan association or by any savings association, as defined in subdivision (a) of Section 5102 of the Financial Code, which is subject to the supervision and regulation of the Commissioner of Financial Institutions of this state.

(e) Any security (other than an interest in all or portions of a parcel or parcels of real property which are subdivided land or a subdivision or in a real estate development), the issuance of which is subject to



authorization by the Insurance Commissioner, the Public Utilities Commission, or the Real Estate Commissioner of this state.

(f) Any security consisting of any interest in all or portions of a parcel or parcels of real property which are subdivided lands or a subdivision or in a real estate development; provided that the exemption in this subdivision shall not be applicable to: (1) any investment contract sold or offered for sale with, or as part of, that interest, or (2) any person engaged in the business of selling, distributing, or supplying water for irrigation purposes or domestic use that is not a public utility except that the exemption is applicable to any security of a mutual water company (other than an investment contract as described in paragraph (1)) offered or sold in connection with subdivided lands pursuant to Chapter 2 (commencing with Section 14310) of Part 7 of Division 3 of Title 1.

(g) Any mutual capital certificates or savings accounts, as defined in the Savings Association Law, issued by a savings association, as defined by subdivision (a) of Section 5102 of the Financial Code, and holding a license or certificate of authority then in force from the Commissioner of Financial Institutions of this state.

(h) Any security issued or guaranteed by any federal credit union, or by any credit union organized and supervised, or regulated, under the Credit Union Law.

(i) Any security issued or guaranteed by any railroad, other common carrier, public utility, or public utility holding company which is (1) subject to the jurisdiction of the Interstate Commerce Commission or its successor or (2) a holding company registered with the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or a subsidiary of that company within the meaning of that act or (3) regulated in respect of the issuance or guarantee of the security by a governmental authority of the United States, of any state, of Canada or of any Canadian province; and the security is subject to registration with or authorization of issuance by that authority.



(j) Any security (except evidences of indebtedness, whether interest bearing or not) of an issuer (1) organized exclusively for educational, benevolent, fraternal, religious, charitable, social, or reformatory purposes and not for pecuniary profit, if no part of the net earnings of the issuer inures to the benefit of any private shareholder or individual, or (2) organized as a chamber of commerce or trade or professional association. The fact that amounts received from memberships or dues or both will or may be used to construct or otherwise acquire facilities for use by members of the nonprofit organization does not disqualify the organization for this exemption. This exemption does not apply to the securities of any nonprofit organization if any promoter thereof expects or intends to make a profit directly or indirectly from any business or activity associated with the organization or operation of that nonprofit organization or from remuneration received from that nonprofit organization.

(k) Any agreement, commonly known as a “life income contract,” of an issuer (1) organized exclusively for educational, benevolent, fraternal, religious, charitable, social, or reformatory purposes and not for pecuniary profit and (2) which the commissioner designates by rule or order, with a donor in consideration of a donation of property to that issuer and providing for the payment to the donor or persons designated by him or her of income or specified periodic payments from the donated property or other property for the life of the donor or those other persons.

(l) Any note, draft, bill of exchange, or banker’s acceptance which is freely transferable and of prime quality, arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidences an obligation to pay cash within nine months of the date of issuance, exclusive of days of grace, or any renewal of that paper which is likewise limited, or any guarantee of that paper or of that renewal, provided that the paper is not offered to the public in amounts of less than twenty-five thousand



dollars (\$25,000) in the aggregate to any one purchaser. In addition, the commissioner may, by rule or order, exempt any issuer of any notes, drafts, bills of exchange or banker's acceptances from qualification of those securities when the commissioner finds that the qualification is not necessary or appropriate in the public interest or for the protection of investors.

(m) Any security issued by any corporation organized and existing under the provisions of Chapter 1 (commencing with Section 54001) of Division 20 of the Food and Agricultural Code.

(n) Any beneficial interest in an employees' pension, profit-sharing, stock bonus or similar benefit plan which meets the requirements for qualification under Section 401 of the federal Internal Revenue Code or any statute amendatory thereof or supplementary thereto. A determination letter from the Internal Revenue Service stating that an employees' pension, profit-sharing, stock bonus or similar benefit plan meets those requirements shall be conclusive evidence that the plan is an employees' pension, profit-sharing, stock bonus or similar benefit plan within the meaning of the first sentence of this subdivision until the date the determination letter is revoked in writing by the Internal Revenue Service, regardless of whether or not the revocation is retroactive.

(o) Any security listed or approved for listing upon notice of issuance on a national securities exchange or designated or approved for designation upon notice of issuance as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc., if the exchange or interdealer quotation system has been certified by rule or order of the commissioner and any warrant or right to purchase or subscribe to the security. The exemption afforded by this subdivision does not apply to securities listed or designated, or approved for listing or designation upon notice of issuance, in a rollup transaction unless the rollup transaction is an eligible rollup transaction as defined in Section 25014.7.



That certification of any exchange or system shall be made by the commissioner upon the written request of the exchange or system if the commissioner finds that the exchange or system: (i) in acting on applications for listing of common stock substantially applies the minimum standards set forth in either alternative (A) or (B) of paragraph (1), and (ii) in considering suspension or removal from listing or designation, substantially applies each of the criteria set forth in paragraph (2).

(1) Listing standards:

(A) (i) Shareholders' equity of at least four million dollars (\$4,000,000).

(ii) Pretax income of at least seven hundred fifty thousand dollars (\$750,000) in the issuer's last fiscal year or in two of its last three fiscal years.

(iii) Minimum public distribution of 500,000 shares (exclusive of the holdings of officers, directors, controlling shareholders, and other concentrated or family holdings), together with a minimum of 800 public holders or minimum public distribution of 1,000,000 shares together with a minimum of 400 public holders. The exchange or system may also consider the listing or designation of a company's securities if the company has a minimum of 500,000 shares publicly held, a minimum of 400 shareholders and daily trading volume in the issue has been approximately 2,000 shares or more for the six months preceding the date of application. In evaluating the suitability of an issue for listing or designation under this trading provision, the exchange or system shall review the nature and frequency of that activity and any other factors as it may determine to be relevant in ascertaining whether the issue is suitable for trading. A security which trades infrequently shall not be considered for listing or designation under this paragraph even though average daily volume amounts to 2,000 shares per day or more.

Companies whose securities are concentrated in a limited geographical area, or whose securities are largely held in block by institutional investors, normally may not



be considered eligible for listing or designation unless the public distribution appreciably exceeds 500,000 shares.

(iv) Minimum price of three dollars (\$3) per share for a reasonable period of time prior to the filing of a listing or designation application; provided, however, in certain instances an exchange or system may favorably consider listing an issue selling for less than three dollars (\$3) per share after considering all pertinent factors, including market conditions in general, whether historically the issue has sold above three dollars (\$3) per share, the applicant's capitalization, and the number of outstanding and publicly held shares of the issue.

(v) An aggregate market value for publicly held shares of at least three million dollars (\$3,000,000).

(B) (i) Shareholders' equity of at least four million dollars (\$4,000,000).

(ii) Minimum public distribution set forth in clause (iii) of subparagraph (A) of paragraph (1).

(iii) Operating history of at least three years.

(iv) An aggregate market value for publicly held shares of at least fifteen million dollars (\$15,000,000).

(2) Criteria for consideration of suspension or removal from listing:

(i) If a company which (A) has shareholders' equity of less than one million dollars (\$1,000,000) has sustained net losses in each of its two most recent fiscal years, or (B) has net tangible assets of less than three million dollars (\$3,000,000) and has sustained net losses in three of its four most recent fiscal years.

(ii) If the number of shares publicly held (excluding the holdings of officers, directors, controlling shareholders and other concentrated or family holdings) is less than 150,000.

(iii) If the total number of shareholders is less than 400 or if the number of shareholders of lots of 100 shares or more is less than 300.

(iv) If the aggregate market value of shares publicly held is less than seven hundred fifty thousand dollars (\$750,000).



(v) If shares of common stock sell at a price of less than three dollars (\$3) per share for a substantial period of time and the issuer shall fail to effectuate a reverse stock split of the shares within a reasonable period of time after being requested by the exchange to take that action.

A national securities exchange or interdealer quotation system of the National Association of Securities Dealers, Inc. certified by rule or order of the commissioner under this subdivision shall file annual reports when requested to do so by the commissioner. The annual reports shall contain, by issuer: the variances granted to an exchange's listing standards or interdealer quotation system's designation criteria, including variances from corporate governance and voting rights' standards, for any security of that issuer; the reasons for the variances; a discussion of the review procedure instituted by the exchange or interdealer quotation system to determine the effect of the variances on investors and whether the variances should be continued; and any other information that the commissioner deems relevant. The purpose of these reports is to assist the commissioner in determining whether the quantitative and qualitative requirements of this subdivision are substantially being met by the exchange or system in general or with regard to any particular security.

The commissioner after appropriate notice and opportunity for hearing in accordance with the provisions of the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, may, in his or her discretion, by rule or order, decertify any exchange or interdealer quotation system previously certified which ceases substantially to apply the minimum standards or criteria as set forth in paragraphs (1) and (2).

A rule or order of certification shall conclusively establish that any security listed or approved for listing upon notice of issuance on any exchange, or designated or approved for designation upon issuance as a national market system security on any interdealer quotation system, named in a rule or order of certification, and any



warrant or right to purchase or subscribe to that security, is exempt under this subdivision until the adoption by the commissioner of any rule or order decertifying the exchange or interdealer quotation system.

(p) A promissory note secured by a lien on real property, which is neither one of a series of notes of equal priority secured by interests in the same real property nor a note in which beneficial interests are sold to more than one person or entity.

(q) Any unincorporated interindemnity or reciprocal or interinsurance contract, which qualifies under the provisions of Section 1280.7 of the Insurance Code, between members of a cooperative corporation, organized and operating under Part 2 (commencing with Section 12200) of Division 3 of Title 1, and whose members consist only of physicians and surgeons licensed in California, which contracts indemnify solely in respect to medical malpractice claims against the members, and which do not collect in advance of loss any moneys other than contributions by each member to a collective reserve trust fund or for necessary expenses of administration.

(1) Whenever it appears to the commissioner that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of Section 1280.7 of the Insurance Code, the commissioner may, in the commissioner's discretion, bring an action in the name of the people of the State of California in the superior court to enjoin the acts or practices or to enforce compliance with Section 1280.7 of the Insurance Code. Upon a proper showing a permanent or preliminary injunction, a restraining order, or a writ of mandate shall be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets.

(2) The commissioner may, in the commissioner's discretion, (A) make public or private investigations within or outside of this state as the commissioner deems necessary to determine whether any person has violated or is about to violate any provision of Section 1280.7 of the Insurance Code or to aid in the enforcement of Section



1280.7, and (B) publish information concerning the violation of Section 1280.7.

(3) For the purpose of any investigation or proceeding under this section, the commissioner or any officer designated by the commissioner may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records which the commissioner deems relevant or material to the inquiry.

(4) In case of contumacy by, or refusal to obey a subpoena issued to, any person, the superior court, upon application by the commissioner, may issue to the person an order requiring the person to appear before the commissioner, or the officer designated by the commissioner, there to produce documentary evidence, if so ordered, or to give evidence touching the matter under investigation or in question. Failure to obey the order of the court may be punished by the court as a contempt.

(5) No person is excused from attending or testifying or from producing any document or record before the commissioner or in obedience to the subpoena of the commissioner or any officer designated by the commissioner, or in any proceeding instituted by the commissioner, on the ground that the testimony or evidence (documentary or otherwise), required of the person may tend to incriminate the person or subject the person to a penalty or forfeiture, but no individual may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which the person is compelled, after validly claiming the privilege against self-incrimination, to testify or produce evidence (documentary or otherwise), except that the individual testifying is not exempt from prosecution and punishment for perjury or contempt committed in testifying.

(6) The cost of any review, examination, audit, or investigation made by the commissioner under Section 1280.7 of the Insurance Code shall be paid to the



commissioner by the person subject to the review, examination, audit, or investigation, and the commissioner may maintain an action for the recovery of these costs in any court of competent jurisdiction. In determining the cost, the commissioner may use the actual amount of the salary or other compensation paid to the persons making the review, examination, audit, or investigation plus the actual amount of expenses including overhead reasonably incurred in the performance of the work.

The recoverable cost of each review, examination, audit, or investigation made by the commissioner under Section 1280.7 of the Insurance Code shall not exceed twenty-five thousand dollars (\$25,000), except that costs exceeding twenty-five thousand dollars (\$25,000) shall be recoverable if the costs are necessary to prevent a violation of any provision of Section 1280.7 of the Insurance Code.

(r) Any shares or memberships issued by any corporation organized and existing pursuant to the provisions of Part 2 (commencing with Section 12200) of Division 3 of Title 1, provided the aggregate investment of any shareholder or member in shares or memberships sold pursuant to this subdivision does not exceed three hundred dollars (\$300). This exemption does not apply to the shares or memberships of that corporation if any promoter thereof expects or intends to make a profit directly or indirectly from any business or activity associated with the corporation or the operation of the corporation or from remuneration, other than reasonable salary, received from the corporation. This exemption does not apply to nonvoting shares or memberships of that corporation issued to any person who does not possess, and who will not acquire in connection with the issuance of nonvoting shares or memberships, voting power (Section 12253) in the corporation. This exemption also does not apply to shares or memberships issued by a nonprofit cooperative corporation organized to facilitate the creation of an unincorporated interindemnity arrangement that provides



indemnification for medical malpractice to its physician and surgeon members as set forth in subdivision (q).

(s) Any security consisting of or representing an interest in a pool of mortgage loans which meets each of the following requirements:

(1) The pool consists of whole mortgage loans or participation interests in those loans, which loans were originated or acquired in the ordinary course of business by a national bank or federal savings association or federal savings bank having its principal office in this state, by a bank incorporated under the laws of this state or by a savings association as defined in subdivision (a) of Section 5102 of the Financial Code and which is subject to the supervision and regulation of the Commissioner of Financial Institutions, and each of which at the time of transfer to the pool is an authorized investment for the originating or acquiring institution.

(2) The pool of mortgage loans is held in trust by a trustee which is a financial institution specified in paragraph (1) as trustee or otherwise.

(3) The loans are serviced by a financial institution specified in paragraph (1).

(4) The security is not offered in amounts of less than twenty-five thousand dollars (\$25,000) in the aggregate to any one purchaser.

(5) The security is offered pursuant to a registration under the Securities Act of 1933, or pursuant to an exemption under Regulation A under that act, or in the opinion of counsel for the issuer, is offered pursuant to an exemption under Section 4(2) of that act.

(t) (1) Any security issued or guaranteed by and representing an interest in or a direct obligation of an industrial loan company incorporated under the laws of the state and authorized by the Commissioner of Financial Institutions to engage in industrial loan business.

(2) Any investment certificate in or issued by any industrial loan company that is organized under the laws of a state of the United States other than this state, that



is insured by the Federal Deposit Insurance Corporation, and that maintains a branch office in this state.

SEC. 10. Section 25988 of the Health and Safety Code is amended to read:

25988. A peace officer, officer of a humane society as qualified under Section 14502 or 14503 of the Corporations Code, or officer of an animal control or animal regulation department of a public agency, as qualified under Section 830.9 of the Penal Code, may issue a citation as prescribed in Section 25988.5, to any person or entity keeping horses or other equine animals for hire, if the person or entity fails to meet any of the following standards of humane treatment regarding the keeping of horses or other equine animals:

(a) Any enclosure where an equine is primarily kept shall be of sufficient size to enable the equine to comfortably stand up, turn around, and lie down, and shall be kept free of excessive urine and waste matter.

(b) Paddocks and corrals shall be of adequate size for the equine to move about freely.

(c) Buildings, premises, and conveyances used in conjunction with equines shall be kept free of sharp objects, protrusions, or other materials that are likely to cause injury.

(d) Equines shall be supplied with nutritionally adequate feed and clean water, in accordance with standards published by the Cooperative Extension of the Division of Agricultural Sciences of the University of California.

(e) Tack and equipment shall be appropriate and fit properly.

(f) After use the equine shall be cooled out to a normal condition at rest.

(g) When not being ridden, a saddled equine shall have available adequate shelter from the elements, and have loosened saddle straps and girths.

(h) An equine shall not be available for hire or use if the equine has any conditions that violate subdivision (b) of Section 597 or Section 597f of the Penal Code or any of the following conditions:



(1) Sores or abrasions caused or likely to be irritated by the surfaces of saddles, girths, harnesses, or bridles.

(2) Blindness in both eyes.

(3) Improperly or inadequately trimmed and shod feet contrary to the standards published by the Cooperative Extension of the Division of Agricultural Sciences of the University of California.

(i) Each equine shall be individually identified, using humane methods, such as a detailed description, including, but not limited to, name, breed, color, markings, size, age, sex, and photograph.

(j) Farrier and veterinary receipts shall be kept and shall identify each equine treated.

(k) Veterinary, farrier, and feed records shall be made available during normal business hours to the law enforcement officer. Upon failure to provide these records, the equine or equines in question may not be used for hire until such time as the records are produced or an equine veterinarian shall certify that the equine or equines are fit for labor.

SEC. 11. Section 597d of the Penal Code is amended to read:

597d. Any sheriff, police, or peace officer, or officer qualified as provided in Section 14502 of the Corporations Code, may enter any place, building, or tenement, where there is an exhibition of the fighting of birds or animals, or where preparations are being made for such an exhibition, and, without a warrant, arrest all persons present.

SEC. 12. Section 597z of the Penal Code is amended to read:

597z. A humane officer appointed under Section 14502 of the Corporations Code or the State Sealer may enter any facility utilizing a carbon monoxide gas chamber for the purpose of inspecting the operation of such facility to determine whether there is compliance with Section 597u.

SEC. 13. Section 11105 of the Penal Code is amended to read:



11105. (a) (1) The Department of Justice shall maintain state summary criminal history information.

(2) As used in this section:

(i) “State summary criminal history information” means the master record of information compiled by the Attorney General pertaining to the identification and criminal history of any person, such as name, date of birth, physical description, fingerprints, photographs, date of arrests, arresting agencies and booking numbers, charges, dispositions, and similar data about the person.

(ii) “State summary criminal history information” does not refer to records and data compiled by criminal justice agencies other than the Attorney General, nor does it refer to records of complaints to or investigations conducted by, or records of intelligence information or security procedures of, the office of the Attorney General and the Department of Justice.

(b) The Attorney General shall furnish state summary criminal history information to any of the following, if needed in the course of their duties, provided that when information is furnished to assist an agency, officer, or official of state or local government, a public utility, or any entity, in fulfilling employment, certification, or licensing duties, Chapter 1321 of the Statutes of 1974 and of Section 432.7 of the Labor Code shall apply:

(1) The courts of the state.

(2) Peace officers of the state as defined in Section 830.1, subdivisions (a), (b), and (f) of Section 830.2, subdivision (a) of Section 830.3, subdivisions (a) and (b) of Section 830.5, and subdivision (a) of Section 830.31.

(3) District attorneys of the state.

(4) Prosecuting city attorneys of any city within the state.

(5) Probation officers of the state.

(6) Parole officers of the state.

(7) A public defender or attorney of record when representing a person in proceedings upon a petition for a certificate of rehabilitation and pardon pursuant to Section 4852.08.



(8) A public defender or attorney of record when representing a person in a criminal case and if authorized access by statutory or decisional law.

(9) Any agency, officer, or official of the state if the criminal history information is required to implement a statute or regulation that expressly refers to specific criminal conduct applicable to the subject person of the state summary criminal history information, and contains requirements or exclusions, or both, expressly based upon that specified criminal conduct.

(10) Any city or county, or city and county, or district, or any officer, or official thereof if access is needed in order to assist that agency, officer, or official in fulfilling employment, certification, or licensing duties, and if the access is specifically authorized by the city council, board of supervisors, or governing board of the city, county, or district if the criminal history information is required to implement a statute, ordinance, or regulation that expressly refers to specific criminal conduct applicable to the subject person of the state summary criminal history information, and contains requirements or exclusions, or both, expressly based upon that specified criminal conduct.

(11) The subject of the state summary criminal history information under procedures established under Article 5 (commencing with Section 11120) of Chapter 1 of Title 1 of Part 4.

(12) Any person or entity when access is expressly authorized by statute if the criminal history information is required to implement a statute or regulation that expressly refers to specific criminal conduct applicable to the subject person of the state summary criminal history information, and contains requirements or exclusions, or both, expressly based upon that specified criminal conduct.

(13) Health officers of a city, county, or city and county, or district, when in the performance of their official duties enforcing Section 120175 of the Health and Safety Code.



(14) Any managing or supervising correctional officer of a county jail or other county correctional facility.

(15) Any humane society, or society for the prevention of cruelty to animals, for the specific purpose of complying with Section 14502 of the Corporations Code for the appointment of level 1 humane officers.

(c) The Attorney General may furnish state summary criminal history information upon a showing of a compelling need to any of the following, provided that when information is furnished to assist an agency, officer, or official of state or local government, a public utility, or any entity, in fulfilling employment, certification, or licensing duties, Chapter 1321 of the Statutes of 1974 and of Section 432.7 of the Labor Code shall apply:

(1) Any public utility as defined in Section 216 of the Public Utilities Code that operates a nuclear energy facility when access is needed in order to assist in employing persons to work at the facility, provided that, if the Attorney General supplies the data, he or she shall furnish a copy of the data to the person to whom the data relates.

(2) To a peace officer of the state other than those included in subdivision (b).

(3) To a peace officer of another country.

(4) To public officers (other than peace officers) of the United States, other states, or possessions or territories of the United States, provided that access to records similar to state summary criminal history information is expressly authorized by a statute of the United States, other states, or possessions or territories of the United States if the information is needed for the performance of their official duties.

(5) To any person when disclosure is requested by a probation, parole, or peace officer with the consent of the subject of the state summary criminal history information and for purposes of furthering the rehabilitation of the subject.

(6) The courts of the United States, other states, or territories or possessions of the United States.



(7) Peace officers of the United States, other states, or territories or possessions of the United States.

(8) To any individual who is the subject of the record requested if needed in conjunction with an application to enter the United States or any foreign nation.

(9) Any public utility as defined in Section 216 of the Public Utilities Code, if access is needed in order to assist in employing current or prospective employees who in the course of their employment may be seeking entrance to private residences. The information provided shall be limited to the record of convictions and any arrest for which the person is released on bail or on his or her own recognizance pending trial.

If the Attorney General supplies the data pursuant to this paragraph, the Attorney General shall furnish a copy of the data to the current or prospective employee to whom the data relates.

Any information obtained from the state summary criminal history is confidential and the receiving public utility shall not disclose its contents, other than for the purpose for which it was acquired. The state summary criminal history information in the possession of the public utility and all copies made from it shall be destroyed not more than 30 days after employment or promotion or transfer is denied or granted, except for those cases where a current or prospective employee is out on bail or on his or her own recognizance pending trial, in which case the state summary criminal history information and all copies shall be destroyed not more than 30 days after the case is resolved.

A violation of this paragraph is a misdemeanor, and shall give the current or prospective employee who is injured by the violation a cause of action against the public utility to recover damages proximately caused by the violations. Any public utility's request for state summary criminal history information for purposes of employing current or prospective employees who may be seeking entrance to private residences in the course of their employment shall be deemed a "compelling need" as required to be shown in this subdivision.



Nothing in this section shall be construed as imposing any duty upon public utilities to request state summary criminal history information on any current or prospective employees.

(10) To any campus of the California State University or the University of California, or any four-year college or university accredited by a regional accreditation organization approved by the United States Department of Education, if needed in conjunction with an application for admission by a convicted felon to any special education program for convicted felons, including, but not limited to, university alternatives and halfway houses. Only conviction information shall be furnished. The college or university may require the convicted felon to be fingerprinted, and any inquiry to the department under this section shall include the convicted felon's fingerprints and any other information specified by the department.

(d) Whenever an authorized request for state summary criminal history information pertains to a person whose fingerprints are on file with the Department of Justice and the department has no criminal history of that person, and the information is to be used for employment, licensing, or certification purposes, the fingerprint card accompanying the request for information, if any, may be stamped "no criminal record" and returned to the person or entity making the request.

(e) Whenever state summary criminal history information is furnished as the result of an application and is to be used for employment, licensing, or certification purposes, the Department of Justice may charge the person or entity making the request a fee that it determines to be sufficient to reimburse the department for the cost of furnishing the information. In addition, the Department of Justice may add a surcharge to the fee to fund maintenance and improvements to the systems from which the information is obtained. Notwithstanding any other law, any person or entity required to pay a fee to the department for information received under this



section may charge the applicant a fee sufficient to reimburse the person or entity for this expense. All moneys received by the department pursuant to this section, Sections 11105.3 and 12054 of the Penal Code, and Section 13588 of the Education Code shall be deposited in a special account in the General Fund to be available for expenditure by the department to offset costs incurred pursuant to those sections and for maintenance and improvements to the systems from which the information is obtained upon appropriation by the Legislature.

(f) Whenever there is a conflict, the processing of criminal fingerprints and fingerprints of applicants for security guard or alarm agent registrations or firearms qualification permits submitted pursuant to Section 7514 of the Business and Professions Code shall take priority over the processing of applicant fingerprints.

(g) It is not a violation of this section to disseminate statistical or research information obtained from a record, provided that the identity of the subject of the record is not disclosed.

(h) It is not a violation of this section to include information obtained from a record in (1) a transcript or record of a judicial or administrative proceeding or (2) any other public record if the inclusion of the information in the public record is authorized by a court, statute, or decisional law.

(i) Notwithstanding any other law, the Department of Justice or any state or local law enforcement agency may require the submission of fingerprints for the purpose of conducting summary criminal history information checks that are authorized by law.

(j) The state summary criminal history information shall include any finding of mental incompetence pursuant to Chapter 6 (commencing with Section 1367) of Title 10 of Part 2 arising out of a complaint charging a felony offense specified in Section 290.

SEC. 14. Section 11165.16 of the Penal Code is amended to read:

11165.16. (a) For the purposes of this article, the following terms have the following meanings:



(1) “Animal control officer” means any person employed by a city, county, or city and county for the purpose of enforcing animal control laws or regulations.

(2) “Humane society officer” means any person appointed or employed by a public or private entity as a humane officer who is qualified pursuant to Section 14502 or 14503 of the Corporations Code.

(b) No firefighter, animal control officer, or humane society officer shall be subject to the reporting requirements of this article unless he or she has received training in identification and reporting of child abuse equivalent to that received by teachers and child care custodians.

SEC. 15. Section 12031 of the Penal Code is amended to read:

12031. (a) (1) A person is guilty of carrying a loaded firearm when he or she carries a loaded firearm on his or her person or in a vehicle while in any public place or on any public street in an incorporated city or in any public place or on any public street in a prohibited area of unincorporated territory.

(2) Carrying a loaded firearm in violation of this section is punishable, as follows:

(A) Where the person previously has been convicted of any felony, or of any crime made punishable by this chapter, as a felony.

(B) Where the firearm is stolen and the person knew or had reasonable cause to believe that it was stolen, as a felony.

(C) Where the person is an active participant in a criminal street gang, as defined in subdivision (a) of Section 186.22, under the Street Terrorism Enforcement and Prevention Act (Chapter 11 (commencing with Section 18620) of Title 7 of Part 1), as a felony.

(D) Where the person is not in lawful possession of the firearm, as defined in this section, or is within a class of persons prohibited from possessing or acquiring a firearm pursuant to Section 12021 or 12021.1 of this code or Section 8100 or 8103 of the Welfare and Institutions Code, as a felony.



(E) Where the person has been convicted of a crime against a person or property, or of a narcotics or dangerous drug violation, by imprisonment in the state prison, or by imprisonment in a county jail not to exceed one year, by a fine not to exceed one thousand dollars (\$1,000), or by both that imprisonment and fine.

(F) In all cases other than those specified in subparagraphs (A) to (E), inclusive, as a misdemeanor, punishable by imprisonment in a county jail not to exceed one year, by a fine not to exceed one thousand dollars (\$1,000), or by both that imprisonment and fine.

(G) For purposes of this section, “lawful possession of the firearm” means that the person who has possession or custody of the firearm either owns the firearm or has the permission of the owner or a person who otherwise has apparent authority to possess or have custody of the firearm. A person who takes a firearm without the permission of the owner or without the permission of a person who has custody of the firearm does not have lawful possession of the firearm.

(3) Nothing in this section shall preclude prosecution under Sections 12021 and 12021.1 of this code, Section 8100 or 8103 of the Welfare and Institutions Code, or any other law with a greater penalty than this section.

(4) Notwithstanding paragraphs (2) and (3) of subdivision (a) of Section 836, a peace officer may make an arrest without a warrant:

(A) When the person arrested has violated this section, although not in the officer’s presence.

(B) Whenever the officer has reasonable cause to believe that the person to be arrested has violated this section, whether or not this section has, in fact, been violated.

(5) (A) Every person convicted under this section who has previously been convicted of an offense enumerated in Section 12001.6, or of any crime made punishable under this chapter, shall serve a term of at least three months in a county jail, or, if granted probation, or if the execution or imposition of sentence is



suspended, it shall be a condition thereof that he or she be imprisoned for a period of at least three months.

(B) The court shall apply the three-month minimum sentence except in unusual cases where the interests of justice would best be served by granting probation or suspending the imposition or execution of sentence without the minimum imprisonment required in this subdivision or by granting probation or suspending the imposition or execution of sentence with conditions other than those set forth in this subdivision, in which case, the court shall specify on the record and shall enter on the minutes the circumstances indicating that the interests of justice would best be served by that disposition.

(6) A violation of this section which is punished by imprisonment in a county jail not exceeding one year shall not constitute a conviction of a crime punishable by imprisonment for a term exceeding one year for the purposes of determining federal firearms eligibility under Section 922(g)(1) of Title 18 of the United States Code.

(b) Subdivision (a) shall not apply to any of the following:

(1) Peace officers listed in Section 830.1 or 830.2, whether active or honorably retired, other duly appointed peace officers, honorably retired peace officers listed in subdivision (c) of Section 830.5, other honorably retired peace officers who during the course and scope of their employment as peace officers were authorized to, and did, carry firearms, full-time paid peace officers of other states and the federal government who are carrying out official duties while in California, or any person summoned by any of those officers to assist in making arrests or preserving the peace while the person is actually engaged in assisting that officer. Any peace officer described in this paragraph who has been honorably retired shall be issued an identification certificate by the law enforcement agency from which the officer has retired. The issuing agency may charge a fee necessary to cover any reasonable expenses incurred



by the agency in issuing certificates pursuant to this paragraph and paragraph (3).

Any officer, except an officer listed in Section 830.1, 830.2, or subdivision (c) of Section 830.5 who retired prior to January 1, 1981, shall have an endorsement on the identification certificate stating that the issuing agency approves the officer's carrying of a loaded firearm.

No endorsement or renewal endorsement issued pursuant to paragraph (2) shall be effective unless it is in the format set forth in subparagraph (D) of paragraph (1) of subdivision (a) of Section 12027, except that any peace officer listed in subdivision (f) of Section 830.2 or in subdivision (c) of Section 830.5, who is retired between January 2, 1981, and on or before December 31, 1988, and who is authorized to carry a loaded firearm pursuant to this section, shall not be required to have an endorsement in the format set forth in subparagraph (D) of paragraph (1) of subdivision (a) of Section 12027 until the time of the issuance, on or after January 1, 1989, of a renewal endorsement pursuant to paragraph (2).

(2) A retired peace officer, except an officer listed in Section 830.1, 830.2, or subdivision (c) of Section 830.5 who retired prior to January 1, 1981, shall petition the issuing agency for renewal of his or her privilege to carry a loaded firearm every five years. An honorably retired peace officer listed in Section 830.1 or 830.2 or subdivision (c) of Section 830.5 who retired prior to January 1, 1981, shall not be required to obtain an endorsement from the issuing agency to carry a loaded firearm. The agency from which a peace officer is honorably retired may, upon initial retirement of the peace officer, or at any time subsequent thereto, deny or revoke, for good cause, the retired officer's privilege to carry a loaded firearm. A peace officer who is listed in Section 830.1 or 830.2 or subdivision (c) of Section 830.5 who is retired prior to January 1, 1981, shall have his or her privilege to carry a loaded firearm denied or revoked by having the agency from which the officer retired stamp on the officer's identification certificate "No CCW privilege."



(3) An honorably retired peace officer who is listed in subdivision (c) of Section 830.5 and authorized to carry loaded firearms by this subdivision shall meet the training requirements of Section 832 and shall qualify with the firearm at least annually. The individual retired peace officer shall be responsible for maintaining his or her eligibility to carry a loaded firearm. The Department of Justice shall provide subsequent arrest notification pursuant to Section 11105.2 regarding honorably retired peace officers listed in subdivision (c) of Section 830.5 to the agency from which the officer has retired.

(4) Members of the military forces of this state or of the United States engaged in the performance of their duties.

(5) Persons who are using target ranges for the purpose of practice shooting with a firearm or who are members of shooting clubs while hunting on the premises of those clubs.

(6) The carrying of pistols, revolvers, or other firearms capable of being concealed upon the person by persons who are authorized to carry those weapons pursuant to Article 3 (commencing with Section 12050) of Chapter 1 of Title 2 of Part 4.

(7) Armored vehicle guards, as defined in Section 7521 of the Business and Professions Code, (A) if hired prior to January 1, 1977; or (B) if hired on or after that date, if they have received a firearms qualification card from the Department of Consumer Affairs, in each case while acting within the course and scope of their employment.

(8) Upon approval of the sheriff of the county in which they reside, honorably retired federal officers or agents of federal law enforcement agencies, including, but not limited to, the Federal Bureau of Investigation, the Secret Service, the United States Customs Service, the Federal Bureau of Alcohol, Tobacco, and Firearms, the Federal Bureau of Narcotics, the Drug Enforcement Administration, the United States Border Patrol, and officers or agents of the Internal Revenue Service who were authorized to carry weapons while on duty, who were assigned to duty within the state for a period of not



less than one year, or who retired from active service in the state.

Retired federal officers or agents shall provide the sheriff with certification from the agency from which they retired certifying their service in the state, the nature of their retirement, and indicating the agency's concurrence that the retired federal officer or agent should be accorded the privilege of carrying a loaded firearm.

Upon approval, the sheriff shall issue a permit to the retired federal officer or agent indicating that he or she may carry a loaded firearm in accordance with this paragraph. The permit shall be valid for a period not exceeding five years, shall be carried by the retiree while carrying a loaded firearm, and may be revoked for good cause.

The sheriff of the county in which the retired federal officer or agent resides may require recertification prior to a permit renewal, and may suspend the privilege for cause. The sheriff may charge a fee necessary to cover any reasonable expenses incurred by the county.

(c) Subdivision (a) shall not apply to any of the following who have completed a regular course in firearms training approved by the Commission on Peace Officer Standards and Training:

(1) Patrol special police officers appointed by the police commission of any city, county, or city and county under the express terms of its charter who also, under the express terms of the charter, (A) are subject to suspension or dismissal after a hearing on charges duly filed with the commission after a fair and impartial trial, (B) are not less than 18 years of age or more than 40 years of age, (C) possess physical qualifications prescribed by the commission, and (D) are designated by the police commission as the owners of a certain beat or territory as may be fixed from time to time by the police commission.

(2) The carrying of weapons by animal control officers or zookeepers, regularly compensated as such by a governmental agency when acting in the course and scope of their employment and when designated by a



local ordinance or, if the governmental agency is not authorized to act by ordinance, by a resolution, either individually or by class, to carry the weapons, or by persons who are authorized to carry the weapons pursuant to Section 14502 of the Corporations Code, while actually engaged in the performance of their duties pursuant to that section.

(3) Harbor police officers designated pursuant to Section 663.5 of the Harbors and Navigation Code.

(d) Subdivision (a) shall not apply to any of the following who have been issued a certificate pursuant to Section 12033. The certificate shall not be required of any person who is a peace officer, who has completed all training required by law for the exercise of his or her power as a peace officer, and who is employed while not on duty as a peace officer.

(1) Guards or messengers of common carriers, banks, and other financial institutions while actually employed in and about the shipment, transportation, or delivery of any money, treasure, bullion, bonds, or other thing of value within this state.

(2) Guards of contract carriers operating armored vehicles pursuant to California Highway Patrol and Public Utilities Commission authority (A) if hired prior to January 1, 1977; or (B) if hired on or after January 1, 1977, if they have completed a course in the carrying and use of firearms which meets the standards prescribed by the Department of Consumer Affairs.

(3) Private investigators and private patrol operators who are licensed pursuant to Chapter 11.5 (commencing with Section 7512) of, and alarm company operators who are licensed pursuant to Chapter 11.6 (commencing with Section 7590) of, Division 3 of the Business and Professions Code, while acting within the course and scope of their employment.

(4) Uniformed security guards or night watch persons employed by any public agency, while acting within the scope and course of their employment.

(5) Uniformed security guards, regularly employed and compensated in that capacity by persons engaged in



any lawful business, and uniformed alarm agents employed by an alarm company operator, while actually engaged in protecting and preserving the property of their employers or on duty or en route to or from their residences or their places of employment, and security guards and alarm agents en route to or from their residences or employer-required range training. Nothing in this paragraph shall be construed to prohibit cities and counties from enacting ordinances requiring alarm agents to register their names.

(6) Uniformed employees of private patrol operators and private investigators licensed pursuant to Chapter 11.5 (commencing with Section 7512) of Division 3 of the Business and Professions Code, while acting within the course and scope of their employment.

(e) In order to determine whether or not a firearm is loaded for the purpose of enforcing this section, peace officers are authorized to examine any firearm carried by anyone on his or her person or in a vehicle while in any public place or on any public street in an incorporated city or prohibited area of an unincorporated territory. Refusal to allow a peace officer to inspect a firearm pursuant to this section constitutes probable cause for arrest for violation of this section.

(f) As used in this section, “prohibited area” means any place where it is unlawful to discharge a weapon.

(g) A firearm shall be deemed to be loaded for the purposes of this section when there is an unexpended cartridge or shell, consisting of a case that holds a charge of powder and a bullet or shot, in, or attached in any manner to, the firearm, including, but not limited to, in the firing chamber, magazine, or clip thereof attached to the firearm; except that a muzzle-loader firearm shall be deemed to be loaded when it is capped or primed and has a powder charge and ball or shot in the barrel or cylinder.

(h) Nothing in this section shall prevent any person engaged in any lawful business, including a nonprofit organization, or any officer, employee, or agent authorized by that person for lawful purposes connected with that business, from having a loaded firearm within



the person's place of business, or any person in lawful possession of private property from having a loaded firearm on that property.

(i) Nothing in this section shall prevent any person from carrying a loaded firearm in an area within an incorporated city while engaged in hunting, provided that the hunting at that place and time is not prohibited by the city council.

(j) (1) Nothing in this section is intended to preclude the carrying of any loaded firearm, under circumstances where it would otherwise be lawful, by a person who reasonably believes that the person or property of himself or herself or of another is in immediate, grave danger and that the carrying of the weapon is necessary for the preservation of that person or property. As used in this subdivision, "immediate" means the brief interval before and after the local law enforcement agency, when reasonably possible, has been notified of the danger and before the arrival of its assistance.

(2) A violation of this section is justifiable when a person who possesses a firearm reasonably believes that he or she is in grave danger because of circumstances forming the basis of a current restraining order issued by a court against another person or persons who has or have been found to pose a threat to his or her life or safety. This paragraph may not apply when the circumstances involve a mutual restraining order issued pursuant to Division 10 (commencing with Section 6200) of the Family Code absent a factual finding of a specific threat to the person's life or safety. It is not the intent of the Legislature to limit, restrict, or narrow the application of current statutory or judicial authority to apply this or other justifications to defendants charged with violating Section 12025 or of committing other similar offenses.

Upon trial for violating this section, the trier of fact shall determine whether the defendant was acting out of a reasonable belief that he or she was in grave danger.

(k) Nothing in this section is intended to preclude the carrying of a loaded firearm by any person while engaged in the act of making or attempting to make a lawful arrest.



(l) Nothing in this section shall prevent any person from having a loaded weapon, if it is otherwise lawful, at his or her place of residence, including any temporary residence or campsite.

SEC. 16. Section 12583 of the Penal Code is amended to read:

12583. Nothing in this article shall prohibit the sale to, purchase by, possession of, or use of blowguns or blowgun ammunition by zookeepers, animal control officers, Department of Fish and Game personnel, humane officers whose names are maintained in the county record of humane officers pursuant to Section 14502 of the Corporations Code, or veterinarians in the course and scope of their business in order to administer medicine to animals.

SEC. 17. It is the intent of the Legislature that Chapter 2 (commencing with Section 14310) of Part 7 of Division 3 of Title 1 of the Corporations Code as added by the act enacting this section shall not be construed to alter the laws regarding service areas of public water utilities regulated by the Public Utilities Commission.

SEC. 18. Section 9.5 of this bill incorporates amendments to Section 25100 of the Corporations Code proposed by both this bill and AB 721. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 1998, (2) each bill amends Section 25100 of the Corporations Code, and (3) this bill is enacted after AB 721, in which case Section 9 of this bill shall not become operative.



Approved _____, 1997

Governor

