

June 7, 1976

<u>Time</u>	<u>Place</u>
June 17 - 7:00 p.m. - 10:00 p.m.	Jack Tar Hotel, Room 375
June 18 - 9:00 a.m. - 5:00 p.m.	Jack Tar Square
June 19 - 9:00 a.m. - 3:00 p.m.	Van Ness & Geary San Francisco, CA 94101

REVISED  
TENTATIVE AGENDA

for meeting of  
CALIFORNIA LAW REVISION COMMISSION

San Francisco

June 17-19, 1976

1. Minutes of May 13-15, 1976, Meeting (sent 6/4/76)
2. Administrative Matters
3. 1976 Legislative Program
4. Study 77 - Nonprofit Corporations

Bring to meeting:

Binder containing Tentatively Approved Provisions  
Chapter 682 (new General Corporation Law) (sent 6/4/76)  
AB 2849 (corrective bill on new General Corporation Law--as  
introduced and all amended versions) (latest version to be sent)

77.220 - Crimes and Penalties

Memorandum 76-64 (sent 6/4/76)

77.250 - Division 4 - Provisions Applicable to Corporations  
Generally

Memorandum 76-58 (sent 6/4/76)  
*First Supplement to Memorandum 76-58*

77.121 - Division

Memorandum 76-65 (sent 6/4/76)

77.255 - Conversion

Memorandum 76-66 (sent 6/4/76)

77.40 - Members

Memorandum 76-67 (enclosed)

77.70 - Voting of Memberships

Memorandum 76-60 (enclosed)

77.50 - Corporate Finance

Memorandum 76-42 (sent 5/1/76)

Note. We will start with Section 5510 on page 6 of the  
draft statute.

First Supplement to Memorandum 76-42 (sent 6/4/76)

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- 77.310 - Conforming Changes (Division 2 of Title 1)  
Memorandum 76-61 (sent 6/4/76)
- 77.320 - Conforming Changes (Division 3 of Title 1)  
Memorandum 76-62 (enclosed)
- 77.400 - General Nonprofit Corporation Law  
Review of Tentative Draft (in Binder) (sent 6/4/76)  
Memorandum 76-59 (to be sent)
- 77.500 - Preliminary Portion of Recommendation  
Memorandum 76-63 (to be sent)
  
- 77 - Generally  
Memorandum 76-68 (enclosed)  
Memorandum 76-69 (to be sent)
  
- 77.330 - Conforming Changes--Cooperative Corporations  
Memorandum 76-70

MINUTES OF MEETING

of

CALIFORNIA LAW REVISION COMMISSION

JUNE 17, 18, AND 19, 1976

San Francisco

A meeting of the California Law Revision Commission was held in San Francisco on June 17, 18, and 19, 1976.

Present: John N. McLaurin, Chairman  
Howard R. Williams, Vice Chairman, June 18 and 19  
John D. Miller  
Marc Sandstrom, June 18  
Thomas E. Stanton, Jr.

Absent: Robert S. Stevens, Member of Senate  
Alister McAlister, Member of Assembly  
John J. Balluff  
George H. Murphy, ex officio

Members of Staff Present:

John H. DeMouilly                      Nathaniel Sterling  
Stan G. Ulrich                         Robert J. Murphy III, June 19

Consultants Present:

G. Gervaise Davis III, Nonprofit Corporations, June 18 and 19  
Peter A. Whitman, Nonprofit Corporations, June 17, 18, and 19

The following persons were present as observers on days indicated:

June 17, 18, and 19

Virgil P. Anderson, California State Automobile Ass'n, Sacramento  
Edward L. Butterworth, Fedco, Inc., Los Angeles  
W. A. Hutchins, California State Automobile Ass'n, San Francisco  
R. H. Nida, Automobile Club of Southern California, Los Angeles

ADMINISTRATIVE MATTERS

Minutes of May 13-15, 1976, Meeting

The Minutes of the May 13-15, 1976, meeting were corrected to change the word "dicisions" on page 4, line 30, to "decisions." As thus corrected, the Minutes of the May 13-15 meeting were approved.

Minutes  
June 17, 18, and 19, 1976

STUDY 77.10 - NONPROFIT CORPORATIONS (GENERAL PROVISIONS)

The Commission, in connection with its consideration of Memorandum 76-58,  
revised Section 5000, to read:

5000. (a) This division shall be known and may be cited as the Nonprofit Corporation Law.

(b) Any reference to the Nonprofit Corporation Law or to this division shall be deemed to include Division 4 (commencing with Section 14400).

Comment. Section 5000 is comparable to Section 100 (General Corporation Law) and continues the substance of former Section 9000.

STUDY 77.40 - NONPROFIT CORPORATIONS (MEMBERS)

The Commission considered Memorandum 76-67 relating to members. The Commission took the following actions with regard to the draft statute discussed by the memorandum:

Article 1. General Provisions

Sections 5410 through 5413 and Section 5419 had previously been approved. Sections 5414, 5415, 5416, 5417, and 5418 were tentatively approved. The following revisions will be made.

§ 5411. Membership classes

§ 5412. Directors as members

Cross-references will be added to the Comment of each of these sections to specify the voting, property, and other rights of members.

§ 5414. Membership certificates

The phrase "and not, for example, to membership identity cards" will be added to the end of the Comment.

§ 5416. Options

The language "either in connection with or independent of the issuance, subscription, or sale of a membership, evidence of indebtedness, or other security" is deleted from subdivision (a).

§ 5417. Consideration

Subdivision (a) will be revised to allow only such consideration as is authorized in the bylaws or by a procedure set up in the bylaws. Subdivisions (b) and (c) are deleted. The Comment will note this variance from existing law and the new business corporation law, explaining that there is no need for the specificity found in the General Corporation Law.

§ 5418. Partly paid memberships

Subdivision (a) will be amended to allow the issuance of partly paid memberships only with bylaws authorization. The last sentence of subdivision (b) will be revised to require that the partly paid status of memberships must only be noted on transferable membership certificates. The Comment will be changed to conform to these revisions.

Article 2. Liability for Unpaid and Partly Paid Memberships

Sections 5420, 5421, 5422, 5423, 5424, 5425, 5426, and 5427 were tentatively approved. The following revisions are to be made:

§ 5424. Discharge of liability of transferee

The last word of the leadline is changed to "transferor." The second clause of the section is amended to read:

. . . , the transferor is not discharged from liability to the non-profit corporation for the unpaid balance unless it is otherwise agreed by written contract between the transferor and the nonprofit corporation or provided in the bylaws.

The Comment will be revised accordingly.

The Commission directed the staff to research the question of when a resolution approved by the same vote as is required for adoption of a bylaw may have the effect of a duly-adopted bylaw for purposes of compliance with statutory requirements.

Article 3. Record Date for Determining Members

Sections 5430, 5431, 5432, 5433, and 5434 were tentatively approved.

Article 4. Transfer and Termination

§ 5440. Transfer of membership

This section was tentatively approved.

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§ 5441. Termination of membership

§ 5442. Termination of rights

These sections were not approved. The staff was directed to revise these sections to continue existing law to the effect that all membership rights terminate upon death unless the bylaws provide otherwise.

§ 5443. Withdrawal of members

§ 5444. Liability for transfer

These sections were tentatively approved.

STUDY 77.50 - NONPROFIT CORPORATIONS (CORPORATE FINANCE)

The Commission considered Memorandum 76-42 and the First Supplement to Memorandum 76-42 relating to corporate finance. The Commission took the following action with respect to the draft statute attached to the memorandum and supplement:

§ 5500. Levy of dues and assessments

This section was tentatively approved. Subdivisions (b) and (c) will be revised to provide that the bylaws "may fix, or provide the manner of fixing," the amount and method of payment of dues, assessments, and fees or other required contributions upon admission to membership. Subdivisions (d) and (e) will be combined in a new section covering the enforcement and collection of all financial obligations of members to a nonprofit corporation.

In connection with its consideration of Section 5500, the Commission tentatively approved the revision of Section 5261 (bylaws relating to members) to add to subdivision (d) authority regarding the liability of members for and the collection of all membership obligations to the nonprofit corporation subject to the requirement that imposition and enforcement of such obligations must be pursuant to a bylaw.

§ 5501. Levy of assessments

This section was tentatively approved. The headline will be changed to read: "Levy of assessments for capital improvements." The description in subdivision (a) of the assessments to which this section applies will be revised to read "an assessment upon its members or any class of members for the purpose of making capital improvements or additions to the property or facilities of the nonprofit corporation."



§ 5520. Subventions authorized

The second paragraph of the Comment is revised to read:

Section 5520 provides that a nonprofit corporation may be authorized by its articles or bylaws to accept subventions upon adoption of a board resolution. The resolution must be filed with an officers' certificate in the office of the Secretary of State.

§ 5523. Interest payments

Section 5523 is revised to read:

The resolution of the board authorizing acceptance of the subventions may provide that the holders of the subvention certificates are entitled to fixed or contingent interest payments from the assets of the nonprofit corporation.

§ 5524. Redemption at option of nonprofit corporation

§ 5525. Redemption at option of holder

In each of these sections, the references to "periodic payments" will be changed to "interest payments."

Article 4. Debt

Sections 5530, 5531, and 5532 were tentatively approved.

Article 5. Redemption

Sections 5540, 5541, 5542, 5543, and 5544 were tentatively approved. Section 5540 is revised to delete the reference to "capital" certificates. The Comment to Section 5541 will be augmented by an explanation of when certificates may be redeemable.

Article 6. Payments to Members

§ 5550. Payments to members

This section was tentatively approved. The section will be revised to delete the reference to capital contributions and to require authorization in the bylaws for payments to members.

- § 5551. Requirement for payments
- § 5552. Payments to members prohibited
- § 5553. Effect of termination of membership

These sections were tentatively approved. The references to capital contributions in these sections will be deleted.

§ 5554. Payment upon termination of membership

This section was not approved. It is unnecessary in light of the deletion of Article 2 (capital contributions).

§ 5555. Protection of liquidation preference

This section was approved.

§ 5556. Prohibited plan of distribution

The Commission tentatively approved the drafting of a new section prohibiting payments under Article 6 which are part of a plan to distribute gains, profits, or dividends to members.

Article 7. Trust Property

Sections 5560, 5561, 5562, 5563, and 5564 were tentatively approved with the following revisions:

§ 5561. Indefinite purposes

The Comment should indicate the extent to which the scope of this section exceeds that of former Section 10206.

§ 5562. Institutional trustee

Subdivision (c) is revised to read:

(c) Except to the extent that reasonable accumulation of income is required by the terms of the transfer by which the nonprofit corporation received the assets, the institutional trustee shall pay

periodically, not less frequently than annually, the net income from the transferred assets, which may include so much of the realized appreciation of principal as the board determines to be prudent, to the nonprofit corporation for use and application to the purpose for which the assets were received by the nonprofit corporation.

There will be deleted from the third paragraph of the Comment the language "and in the continuation or termination of the trust."

§ 5564. Attorney General supervision

Subdivision (b) is revised to read:

(b) In case of any such failure or departure, the Attorney General shall take appropriate action and may institute, in the name of the state, the proceedings necessary to correct the non-compliance or departure.

The Comment will note the deletion of "public trust" from the language of former Section 9505 and the addition of the above "appropriate action" language to subdivision (b).

Article 8. Common Trust Fund

Sections 5570, 5571, 5572, 5573, 5574, 5575, 5576, and 5577 were tentatively approved. The requirement of semiannual dividends in Section 5573 will be revised to provide for periodic payments, not less often than annually.

STUDY 77.70 - NONPROFIT CORPORATIONS (VOTING OF MEMBERSHIPS)

The Commission considered Memorandum 76-60 relating to voting of memberships. The Commission tentatively approved the draft provisions, with the changes noted below:

§ 5178. Proxy

This section was revised to read: "'Proxy' means a written authorization by a person entitled to vote on a matter giving another person power to vote on the matter."

§ 5194. Vote

This section was revised to refer to written consent of the members and directors in the text of the statute.

§ 5194.3. Voting members

The Comment to this section should make clear that the voting members are the persons who actually cast ballots for directors in the case of a nonprofit corporation organized along representative lines.

§ 5194.5. Voting power

The Comment to this section should be expanded to include an example of the application of subdivision (b).

§ 5263. Bylaws relating to voting rights

The phrase "provided for in the bylaws" was added to the end of subdivision (a)(2); the Comment should cross-refer to the proxy provisions. In subdivision (b), "may only" should be substituted for "shall."

§ 5231. Election of directors

Subdivision (d), relating to the vote required for the election of directors, should be revised for clarity.

§ 5713. Persons entitled to take member action

This section should be revised to place a colon after "shall" in subdivision (a), and the phrase "be approved by" placed in both paragraphs (1) and (2). Where the vote is by mail, the required approval should be a majority of votes cast, provided there is at least a majority of a quorum for a meeting casting votes in approval.

In connection with this provision, the Commission revised Section 5614(a)(quorum) to read:

Unless otherwise provided in the bylaws, a quorum is present at a meeting of members if a majority of the votes entitled to be cast on the business to be transacted are represented at the meeting.

§ 5715. When class vote required

This section was revised to provide that an action that adversely affects a substantial property right of a class must be approved by the class unless the ability to do so was specified upon creation of the class.

§ 5720. Voting of membership held by administrator, executor, guardian, conservator, or custodian

This section should be made subject to the bylaws, and should have trustees added to it.

§ 5721. Voting of membership standing in name of trustee

This section was deleted.

§ 5722. Voting of membership standing in name of receiver

This section was deleted.

§ 5723. Voting of membership standing in name of pledgee

This section should be prefaced by the phrase, "Unless the bylaws provide otherwise."

§ 5724. Voting of membership standing in name of minor

This section should be prefaced by the phrase, "Unless the bylaws provide otherwise."

§ 5725. Voting of membership held by corporation

Subdivision (a) of this section was revised to read:

(a) Unless the bylaws provide otherwise, a membership standing in the name of a business corporation or another nonprofit corporation, domestic or foreign, may be voted by such person as the business or other nonprofit corporation designates.

§ 5726. Voting of membership standing in name of two or more persons or group

Subdivision (a)(3) of this section should be clarified.

§ 5740. Voting agreements authorized

This section should be prefaced by the phrase "Unless the bylaws provide otherwise," and should be limited to nonprofit corporations having 10 or fewer members. The agreement should be deposited with the nonprofit corporation in order to be enforceable.

§ 5760. Action to determine validity of election or appointment

A provision should be added to this section to make clear that an election is "held" at the place where the votes are received.

§ 5763. Court order fixing date for hearing

The provision of subdivision (a) referring to further proceedings should be clarified to refer to further court proceedings. Other clarifying changes should be made in the statute where appropriate.

Subdivision (b) should be replaced by a provision for preferential trial setting, and the Comment should refer to the availability of injunctive relief.

§ 5765. Authority of court

This section should be revised to make clear that it provides remedies available to the court. The remedies should be applied only in accordance with the applicable law and the articles and bylaws unless unfair and inequitable. The burden of proof of unfairness and inequity is upon the challenger of the law, articles, or bylaws.

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STUDY 77.121 - NONPROFIT CORPORATIONS (DIVISION)

The Commission considered Memorandum 76-65 and the attached staff draft of Chapter 12 relating to division. The draft was tentatively approved subject to the following changes:

§ 6210. Division authorized

Subdivision (b) should be revised to read substantially as follows:

(b) A nonprofit corporation that is organized exclusively for a charitable purpose may not divide so as to form a nonprofit corporation that is not organized exclusively for a charitable purpose.

§ 6243. Effect of division

The staff should reexamine subdivision (d) of this section to make sure that the rights of creditors will be adequately protected. It should be made clear that assignment of responsibility for the corporation's debts among the resulting corporations is effective only as between the corporations and may not impair the rights of creditors.



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STUDY 77.140 - NONPROFIT CORPORATIONS (BANKRUPTCY  
REORGANIZATIONS AND ARRANGEMENTS)

The letter from Professor Stefan A. Riesenfeld, attached hereto, was distributed at the meeting.

STUDY 77.140 - EXHIBIT I  
UNIVERSITY OF CALIFORNIA, BERKELEY

Minutes  
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SANTA BARBARA • SANTA CRUZ

SCHOOL OF LAW (BOALT HALL)  
BERKELEY, CALIFORNIA 94720  
TELEPHONE [415] 642-

June 14, 1976

Mr. Stan Ulrich  
California Law Revision Commission  
Stanford Law School  
Stanford, California 94305

Dear Stan:

I have your letter of May 17, 1976 and Memo 76-33. Meanwhile I have studied your draft and comments and I can find no reasons for objections.

While it is true that there are not many precedents for applying Chapters XI and X to non-profit organizations, it is commonly assumed that Chapter XI cases may arise and that at least the drafters of Chapter X felt a need for making Chapter X available to non-profit corporations.

See 6 Collier, Bankruptcy ¶ 2.07 [1] and [2], Corporate Reorg.  
8 Collier, Bankruptcy ¶ 4.02 [3] Arrangements

Provisions, as proposed, may not be necessary as implied in the federal statute, but might be helpful, especially under Chapter XI, in view of § 357 (8) of the Bankruptcy Act, which permits transfers to newly organized corporations, 9 Collier, Bankruptcy ¶ 843.

One linguistic comment: In § 6403 change "statute of the United States for the reorganization or arrangement of corporations" to "relating to reorganizations or arrangements of corporations. This tracks better with § 6400 and makes a little better sense. Actually, an arrangement is not an arrangement of a corporation but an arrangement with a corporation. Since Assembly Bill No. 376, however, uses the expression you might as well.

Kindest regards,

*Alec*

Stefan A. Riesenfeld

SAR:cp

STUDY 77.150 - NONPROFIT CORPORATIONS (RECORDS AND REPORTS)

§ 6510. Required books and records

The following subdivision is to be substituted for subdivisions (c) and (d) of this section:

(c) To the extent that such a record is necessary to determine those members entitled to vote, to share in the distribution of assets on dissolution, or otherwise to participate in the affairs of the non-profit corporation, a record of members, which shall include (1) the name and address of each member, (2) where a member may hold more than one membership, the number of memberships held by each member, (3) where there is more than one class of memberships, the class of each membership held by each member, (4) the date when the member became a holder of record of each membership, and (5) a record of the termination of each membership, together with the date of termination.

Subdivision (e) was deleted.

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STUDY 77.160 - NONPROFIT CORPORATIONS (RIGHTS OF INSPECTION)

The Commission discussed a portion of Memorandum 76-59 and the letters attached thereto. The following decisions were made.

(1) Sections 6621 and 6622 should be revised so that the two sections, taken together, provide the nonprofit corporation with a means of avoiding the duty to comply with subdivision (d) of Section 6622. The right of an individual member to inspect the membership record for a purpose reasonably related to such member's interests as a member would not be affected by the adoption of a bylaw providing a reasonable means for communicating with other members.

(2) A provision should be added to make clear that use of information or a membership list obtained under subdivision (d) of Section 6622 can be restricted by court order to a proper purpose.

(3) A provision should be added to provide that (a) use of information for an improper purpose may be enjoined; (b) the member who uses information for a purpose other than the purpose stated in the demand for the information is liable for damages for the improper use of the information; and (c) any other person using such information for a purpose other than the purpose stated also is liable for damages for the improper use. The same rules should apply where the membership list is examined by an authorized member, or where a membership list is obtained by an authorized member, or where information is obtained pursuant to a court order and the court order specifies the purpose for which the information may be used. The rules concerning liability for damages should apply where the person obtaining the information fails to comply with the conditions established in the court order.

(4) No savings clause was included. The circumstances may change after the time a court-developed election procedure is prescribed. The protections provided against abuse of the right to obtain information will provide adequate protection against improper use of the information.

(5) Section 6621 should include a provision stating that the section establishes a procedure that is deemed to be a reasonable one absent a showing that such a procedure is clearly unreasonable in view of the circumstances, practices, and nature of the particular nonprofit corporation. The section should also contain a provision that a nonprofit corporation may by its bylaws establish a procedure that does not satisfy all of the requirements of Section 6621, and such a bylaw shall be deemed to have the same effect as a bylaw that satisfies all the requirements of the section if it is reasonable in view of the circumstances, practices, and nature of the particular nonprofit corporation. In effect, the statutory standard set out in Section 6621 gives the nonprofit corporation assurance that it has adopted a valid bylaw if the bylaw satisfies the requirements of Section 6621 (a "safe harbor"); a nonprofit corporation may adopt a bylaw that contains less than all that is specified in Section 6621, but the corporation will have to establish the reasonableness of such a bylaw if it is challenged in court.

STUDY 77.220 - NONPROFIT CORPORATIONS (CRIMES AND PENALTIES)

The Commission considered Memorandum 76-64 relating to crimes and penalties imposed upon members and agents of nonprofit corporations. The Commission took the following action with respect to the draft statute discussed in the memorandum:

§ 6513. Failure to keep records or submit financial statements

This section was tentatively approved, with subdivision (a)(2) revised to read:

(2) Prepare or cause to be prepared or provided the financial statements required by this division to be prepared or provided, including the financial information required to be included in the annual report.

Cross-references will be added to the Comment to explain who is entitled to require the nonprofit corporation to keep, prepare, or provide the records or financial statements; to indicate the location of sections imposing on the nonprofit corporation the duty to keep or provide such records or information; to note the existence of criminal penalties for the failure to comply with these requirements; and to indicate that the court has the authority under Section 6514 to reduce or suspend the penalty. The Comment will also emphasize that this is a penalty section which does not limit recovery to provable pecuniary damages.

§ 6514. Penalty cumulative; remission of penalty

This section was tentatively approved.

§ 14610. Procedure upon failure to file statement

This section was tentatively approved.

§ 14871. Penalty for unauthorized transaction of intrastate business

This section was tentatively approved.

§ 14872. Disability to maintain action upon intrastate business

This section was tentatively approved.

§ 14884. Service upon unqualified corporation transacting intrastate business

This section was tentatively approved.

Chapter 10. Crimes

The provisions of this chapter (including Sections 14900, 14901, 14902, 14903, 14904, 14905, and 14906) were tentatively approved.

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STUDY 77.250 - NONPROFIT CORPORATIONS (DIVISION 4--PROVISIONS  
APPLICABLE TO CORPORATIONS GENERALLY)

The Commission considered Memorandum 76-58 and the First Supplement there-  
to and made the following decisions.

General Concept of Division 4

The Commission discussed the general concept of Division 4 and again  
approved the concept of Division 4.

Approval of Division 4

Division 4, as set out in the binder, was approved with the revisions  
noted below and any additional revisions necessary to reflect changes made by  
the corrective bill on the General Corporation Law.

§ 14402. Business

The word "intrastate" was substituted for "interstate" in the Comment.

§ 14456. Amendment or repeal; reservation of power; savings clause

This section was approved. A reference to the relevant section of the  
California Constitution should be inserted in the Comment.

§ 14457. Evidence of corporate formation and existence

§ 14458. Evidence of bylaws, resolution, meeting, or minutes

§ 14459. Evidence of record ownership in surviving or consolidated corporation

The above three sections, as attached to Memorandum 76-58, were approved.

Article 3. Enforcement by Attorney General

This article, as attached to Memorandum 76-58, was approved.

Financial Code § 400 (amended)

The amendment to Section 400 of the Financial Code, as attached to Memo-  
randum 76-58, was approved.



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Corporations Code Section 100 (amended)

The amendment to Section 100 of the Corporations Code, as attached to Memorandum 76-58, was approved.

§ 14512. Name which is likely to mislead, or contains word "charitable," or which is prohibited by law

The section heading should be revised as indicated above. A reference to Financial Code Section 400 should be added to the Comment.

In Sections 14510 and 14512, the phrase "or use" should be added after the word "adopt."

§ 14530. Filing by Secretary of State

The word "instrument" is to be substituted for "document" in this section. The word "instrument" is used without exception in the other sections.

The changes made by the corrective bill should be incorporated into this section. Specifically, the last sentence of the section should be revised to read: "In the case of an instrument resubmitted for filing pursuant to Section 14533, the date of filing is the date the instrument is received by the Secretary of State on resubmission."

§ 14533. Instruments conforming to law

The Comment should indicate that the exception is for corporate name provisions and indicate the provisions to which reference is made.

§ 14861. Foreign insurers

A reference to Section 12931 of the Insurance Code should be added to subdivision (b) of Section 14861.

§ 14870. Merger of consolidation; surrender of right to transact intrastate business

The addition of subdivision (c) to this section, which subdivision has no counterpart in the new General Corporation Law, was disapproved.

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STUDY 77.255 - NONPROFIT CORPORATIONS (CONVERSION)

The Commission considered Memorandum 76-66 and the attached staff draft of Chapter 8 of Division 4 relating to conversion. The draft was tentatively approved for inclusion in the binder. The preliminary part of the tentative recommendation should discuss the Pennsylvania conversion statute upon which the draft is based. The staff was directed to research the question of what rights creditors would have to intervene in conversion proceedings in light of Section 14813 providing that creditors' rights are preserved unimpaired. If general law does not adequately protect the rights of creditors, a provision should be added which permits creditors to intervene.

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STUDY 77.330 - NONPROFIT CORPORATIONS (CONFORMING  
CHANGES--COOPERATIVE CORPORATIONS)

The Commission considered Memorandum 76-70 relating to cooperative corporations and decided that no reform of the law governing cooperative corporations should be attempted in the General Nonprofit Corporation Law. The existing statutory scheme should be preserved.

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STUDY 77.400 - NONPROFIT CORPORATIONS (GENERAL NONPROFIT  
CORPORATIONS LAW)

The Commission considered Memorandum 76-59 and the First Supplement thereto. The Commission authorized the staff to make the changes suggested in the memorandum (except as otherwise noted in the Minutes), to make any revisions considered necessary in view of the corrective bill on the General Corporation Law, and to make any other necessary editorial or conforming revisions. Drafts handed in by members of the Commission are to be examined for suggested editorial or conforming revisions.

APPROVED

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Executive Secretary