

12/822

#77

11/18/76

Memorandum

Subject: Study 77 - Nonprofit Corporations (Letter of Transmittal
and Acknowledgments)

Attached hereto is a draft of the Letter of Transmittal and Acknowledgments for the Recommendation Proposing the Nonprofit Corporation Law.

The statements in this material are factual. However, the descriptions of the relationship of the Commission and various other groups deal with matters that are political in nature. Accordingly, we urge you to read the material with care prior to the meeting. The staff gave considerable thought to this draft, and we are hopeful that the Commission will approve it without substantial change. We do not plan to distribute this material to persons other than Commissioners.

Respectfully submitted,

John H. DeMouilly,
Executive Secretary

CALIFORNIA LAW REVISION COMMISSION

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in Office

November 15, 1976

To: THE HONORABLE EDMUND G. BROWN JR.
Governor of California and
THE LEGISLATURE OF CALIFORNIA

The California Law Revision Commission was directed by Resolution Chapter 54 of the Statutes of 1970 to make a study to determine whether the law relating to nonprofit corporations should be revised. The Commission herewith submits its recommendation on this topic.

The Commission began drafting a comprehensive nonprofit corporation statute, based primarily on the comprehensive statutes recently enacted in other states, in 1973. The Commission completed its review of the draft statute in June 1974 but decided to defer further work on the project pending the enactment of the new General Corporation Law which was then being drafted. This decision was made because the Commission concluded that the new nonprofit corporation law should conform to the new General Corporation Law unless need existed for deviation. The new General Corporation Law was approved by the Governor in September 1975. In October 1975, the Commission decided to give top priority to the nonprofit corporation law study with a goal of submitting a recommendation to the 1977 legislative session.

In July 1976, a mimeographed tentative recommendation was widely distributed for review and comment. The comments received from interested persons and organizations have been taken into account by the Commission in formulating this recommendation.

The Commission has been aided in its task by its expert consultants who regularly attended Commission meetings and by the other persons who submitted written comments, attended Commission meetings, or otherwise provided information in connection with this study. The Commission's indebtedness to these persons is recorded in the list of acknowledgments that follows.

Respectfully submitted,
JOHN N. MCLAURIN
Chairman

ACKNOWLEDGMENTS

Expert Consultants

The Commission retained two expert consultants who provided background research reports or expert advice that was useful in formulating this recommendation. G. Gervaise Davis III of Monterey served as a consultant since November 1973 when the Commission began its work on this topic. Peter A. Whitman of Palo Alto devoted approximately four months of full-time work in assisting the Commission on this project while on public service leave from his law firm. The Commission is indebted to both consultants for their assistance in this project.

Representatives of State Agencies

The Commission is grateful to representatives of various state agencies who cooperated in this project. Lawrence R. Tapper and Yeoryios C. Apallas, both of the Attorney General's office, attended Commission meetings to provide factual information and expert assistance; Warren J. Abbott of the office of the Attorney General provided detailed written comments; Robert A. Firehock of the State Department of Housing and Community Development provided valuable information concerning experience under the existing law; Robert LaNoue of the Department of Corporations made useful suggestions; J. J. Delaney and Lane A. Morrison, both of the State Board of Equalization, and W. Jerome Thomas of the Department of Real Estate reviewed and commented on the tentative recommendation.

Bill Holden of the office of the Secretary of State, who was requested to review and comment on the tentative recommendation, submitted his views on the general approach of the tentative recommendation, and this resulted in substantial revisions being made in preparing this recommendation.

Assembly Select Committee on Revision of the Nonprofit Corporations Code

The Law Revision Commission has made an effort to coordinate its work with that of the Assembly Select Committee on Revision of the Nonprofit Corporations Code. Copies of background studies, memoranda, drafts of statutory provisions, and all other materials prepared by the Commission were sent to the staff of the Assembly Select Committee. Ira Mark Ellman, committee consultant, also attended one Commission meeting.

The Commission received two background studies prepared by the staff of the Assembly Select Committee, and these have been taken into consideration in preparing this recommendation.

John T. Knox, Chairman

Members

Kenneth Maddy, Vice Chairman
John Miller
Bill McVittie
Robert Beverly

Staff

Michael C. Hone, Draftsman
Ira Mark Ellman, Consultant
Martha C. Gorman, Assistant
to Chairman
Gail Glassberg, Committee
Secretary

State Bar Committee on Corporations

The Commission has provided the State Bar Committee on Corporations with preliminary drafts of its proposals and with its tentative recommendation. The State Bar Committee submitted a statement of its view concerning the general approach of the proposed legislation, and substantial revisions have been made in preparing this recommendation to accommodate the views of the State Bar Committee. Several members of the State Bar Committee attended one or more Commission meetings, and their comments and suggestions were useful in formulating this recommendation. In addition, the State Bar Committee has appointed a special subcommittee to provide the Commission with additional input concerning the recommended legislation.

Members (October 1, 1976)

R. Bradbury Clark, Chairman	Carl A. Leonard, Vice Chairman
James R. Andrews	Walter Olson, Advisor
Stuart M. deHaaff	Rodney Loeb
Frank L. Hannig	Bruce A. Mann
James R. Hutter	Harold D. Marsh
Richard W. Jennings	Hans A. Mattes
Curtis M. Karplus	Denis T. Rice
Robert J. Kilpatrick	Henry L. Stern
	Brian R. Van Camp
	Alan L. Zimmerman

Special Subcommittee on Nonprofit Corporations of
State Bar Committee on Taxation

A special subcommittee of the State Bar Committee on Taxation was appointed to assist the Commission in connection with this project. The existence of the special subcommittee terminated on October 1, 1976; but, during the time it existed, the subcommittee provided the Commission with valuable assistance in the form of detailed comments on the tentative recommendation.

Kenneth C. Eliasberg, Chairman

Warren J. Abbott
James M. Cowley

Brett B. Dick
Leslie S. Klinger

Individuals

Numerous other persons also have aided the Commission in its task by providing information and advice at Commission meetings or by providing critical comments on the tentative recommendation. These persons are listed below. (Where a law firm submitted comments on the tentative recommendation, the name of each individual in the firm who agreed to review the tentative recommendation is included in the list, whether or not that individual submitted comments apart from the firm's comments.) The Commission regrets any inadvertent errors or omissions that may have been made in the compilation of this list.

Keith E. Abbott
Menlo Park

Virgil P. Anderson
Sacramento

Kenneth James Arnold
San Francisco

Luther J. Avery
San Francisco

David G. Baratti
Newport Beach

Robert James Berton
San Diego

John F. Bradley
Los Angeles

J. J. Brandlin
Los Angeles

John W. Broad
San Francisco

Thomas H. Burcham
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John Rogers Burk
Palo Alto

Edward L. Butterworth
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David G. Cameron
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Kenneth N. Dellamater Canoga Park	Hon. Clayton W. Horn San Francisco
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John B. Dewitt San Francisco	William F. Howell San Diego
Walter A. Dold San Francisco	Wallace Howland San Francisco
Leonard R. Dubin Los Angeles	Joseph J. Hughes San Francisco
Robert E. Duffy Los Angeles	Roger W. Hurlbert San Francisco
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Albert J. Fink Los Angeles	F. Scott Jackson Newport Beach
R. Roy Finkle Los Angeles	Philip M. Jelley Oakland
James H. Flanagan Jr. Clovis	John Paul Jennings San Francisco
John W. Francis Pomona	William B. Johnston Fresno
Irving M. Grant Los Angeles	Prof. Jerry A. Kasner Santa Clara
Lloyd E. Graybiel San Francisco	Alvin S. Kaufer Los Angeles
Kamini K. Gupta San Francisco	Lawrence H. Kay Sacramento
Richard Halliburton San Francisco	C. Robert Kemp Los Angeles
Michael J. Halloran San Francisco	Stephen E. Lenzi Sacramento
Douglas L. Hammer San Francisco	James E. Ludlam Los Angeles
Ralph K. Helge Pasadena	Steven J. Malamuth Oakland
George Herrington San Francisco	Kendall L. Manock Fresno
Robert L. Hewitt Oroville	Wilbur F. Mathewson San Francisco
John F. Hopkins San Jose	James H. Mayer San Francisco

Homer L. McCormick Santa Ana	Thomas F. Stack San Mateo
William M. McKenzie Jr. San Diego	James K. Sterrett II San Diego
Robert McMahon Los Angeles	Robert E. Sullivan San Francisco
David W. Mitchell San Jose	Wanda Underhill San Francisco
John S. Murray Van Nuys	Thomas T. Vais Santa Clara
John D. Nelson San Francisco	Gordon M. Weber San Francisco
Robert W. Mida Los Angeles	Fred B. Weil San Francisco
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Richard U. Robison Los Angeles	David D. Wexler Beverly Hills
Nathan D. Rowley San Francisco	J. Patrick Whaley Los Angeles
Charles A. Rummel Berkeley	George B. White San Francisco
Jerome Sapiro San Francisco	David E. Willett San Francisco
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Jon B. Shastid Modesto	Morris D. Zalle Los Angeles
Thomas R. Shearer Jr. San Francisco	
Prof. Stanley Siegel Los Angeles	
Arthur W. Simon San Francisco	
William D. Sommer San Francisco	
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