

Date of Meeting: January 16-17, 1959

Date of Memo: January 13, 1959

Memorandum No. 13

Subject: Study #11 - Corporations Code

Mr. Hayes' letter of January 9 contains, inter alia, the following statement:

Also at that meeting the Board approved the view of the Committee on Corporations re the Commission's proposal for amendment of Sections 2201 and 3901, Corporations Code, re notice of sale of assets. Copy of the brief report of the Committee is attached (stencil 58-522).

The report of the Committee on Corporations contains the following statement:

2. Request dated October 27, 1958 for a report to the Board of Governors on the recommendation of the California Law Revision Commission concerning proposed amendments of Sections 2201 and 3901 of the California Corporations Code.

Your Committee, upon motion duly made, seconded and unanimously carried, recommended against sponsorship by the Board of Governors of the proposed amendments. The Committee was of the opinion that the provisions of the Corporations Code relating to notices to shareholders of the sale of corporate assets are adequate and that no special notice need be given to a shareholder who must give his written consent to the sale of such assets, since the request for such written consent would constitute adequate notice. The Committee was also of the unanimous opinion that there is no sound reason for eliminating the requirement for the approval of shareholders even where the primary purpose of a corporation is to sell substantially all of its assets at one time.

I confess that I do not understand the Committee's statement. I have written to its Chairman for clarification. A copy of my letter is

attached.

I suggest we discuss this matter at the meeting.

Respectfully submitted,

John R. McDonough, Jr.
Executive Secretary

JRM:imh

January 13, 1959

Mr. William H. Orrick, Jr.
Chairman
Committee on Corporations
State Bar of California
2100 Central Tower
San Francisco 3, California

Dear Mr. Orrick:

We have received a communication from Jack Hayes, Secretary of the State Bar, stating that at its December, 1958 meeting the Board of Governors approved the view of the Committee on Corporations relating to the Law Revision Commission's proposal for amendment of Sections 2201 and 3901 of the Corporations Code. Mr. Hayes sent us a copy of your letter of December 15 to the Board of Governors reporting the action of the Committee on Corporations on this and other matters.

I am somewhat at a loss to understand the action of the Committee on Corporations. As the enclosed copy of the Commission's Recommendation and Study Relating to Notice to Shareholders of Sale of Corporate Assets shows, the Commission has recommended only minor amendments to Sections 2201, 3901 and 3904 of the Corporations Code. It would appear that your Committee's action is directed not to the Law Revision Commission's Recommendation but to certain suggestions as to possible legislative action made in the Commission's staff report. If this is correct, we would appreciate your so advising the Board of Governors.

Very truly yours,

John R. McDonough, Jr.
Executive Secretary