

CALIFORNIA LAW REVISION COMMISSION

TENTATIVE RECOMMENDATION

Unincorporated Association Governance

November 2003

This tentative recommendation is being distributed so that interested persons will be advised of the Commission's tentative conclusions and can make their views known to the Commission. Any comments sent to the Commission will be a part of the public record and will be considered at a public meeting when the Commission determines the provisions it will include in legislation the Commission plans to recommend to the Legislature. It is just as important to advise the Commission that you approve the tentative recommendation as it is to advise the Commission that you believe revisions should be made in the tentative recommendation.

COMMENTS ON THIS TENTATIVE RECOMMENDATION SHOULD BE RECEIVED BY THE COMMISSION NOT LATER THAN April 30, 2004.

The Commission often substantially revises tentative recommendations as a result of the comments it receives. Hence, this tentative recommendation is not necessarily the recommendation the Commission will submit to the Legislature.

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SUMMARY OF TENTATIVE RECOMMENDATION

Existing law provides rules for the creation, governance, merger, and dissolution of specific types of unincorporated association (e.g., a business partnership or unincorporated homeowners association). However, there are no such rules for unincorporated associations generally. The absence of such rules can leave the members and officers of an unincorporated association unsure of how to address fundamental matters of governance. It can also subject such groups to burdensome common law procedures. The Law Revision Commission recommends the creation of a set of basic governance rules for unincorporated associations.

This recommendation was prepared pursuant to Resolution Chapter 92 of the Statutes of 2003.

UNINCORPORATED ASSOCIATION GOVERNANCE

1 An unincorporated association may be a social club, charitable group, mutual aid
2 society, homeowners association, labor union, political group, religious society, or
3 other similar group.¹ Although some unincorporated associations are legally
4 sophisticated, others are small, informal groups, without legal counsel. It is
5 important that the law governing an unincorporated association be clear and
6 understandable to a layperson.

7 Existing law provides detailed rules for the creation, governance, merger, and
8 dissolution of specific types of unincorporated association.² However, no such
9 rules govern unincorporated associations generally. This situation can leave the
10 members and officers of an unincorporated association unsure of how to address
11 an issue that is not addressed in the association's governing documents.

12 The lack of structural guidance can also subject an association to burdensome
13 common law procedures. For example, when an unincorporated association is
14 created its founders may not anticipate and provide rules for its eventual
15 dissolution. In the absence of such rules, unanimous member consent is required
16 for dissolution of the association.³ Such a high threshold makes it difficult for a
17 defunct association to wind up its affairs. The proposed law would allow
18 dissolution by a majority of the membership,⁴ providing a measure of flexibility
19 that an unincorporated association would likely have provided for itself, had it
20 foreseen the need to do so.

21 The Commission recommends that basic governance rules be added to the law of
22 unincorporated associations. In large part, the proposed law would provide default
23 rules, that would only apply to the extent that an association's governing
24 documents are silent. In some cases the proposed law provides mandatory rules,
25 either to guarantee minimal fairness,⁵ or to standardize relations with other
26 organizations.⁶

27 The drafting of the proposed law assumes enactment of the Commission's
28 recommendation on *Unincorporated Associations*⁷ which would reorganize and
29 revise existing law governing unincorporated associations. That recommendation
30 includes a provision subordinating general unincorporated associations law to any

1. See Corp. Code §§ 21000 ("nonprofit association" defined), 24000 ("unincorporated association" defined).

2. See, e.g., Corp. Code §§ 16100-16962 (partnership), 17000-17655 (limited liability company).

3. See *Holt v. Santa Clara County Sheriff's Benefit Ass'n*, 250 Cal. App. 2d 925, 930, 59 Cal. Rptr. 180 (1967).

4. See proposed Corp. Code § 18810 (dissolution) *infra*.

5. See proposed Corp. Code § 18720 (expulsion or suspension of membership where membership affects economic interest) *infra*.

6. See proposed Corp. Code §§ 18760-18800 (merger) *infra*.

7. 33 Cal. L. Revision Comm'n Reports 729 (2003).

1 statute governing a specific type of unincorporated association.⁸ Thus, the
2 governance provisions proposed in this tentative recommendation would yield to a
3 statute governing a specific type of unincorporated association. For example,
4 existing law provides specific rules for amendment of the governing documents of
5 an unincorporated homeowners association.⁹ Those entity-specific rules would
6 control over the general rules for amendment of a governing document provided in
7 the proposed law.¹⁰

8. “If a statute specific to a particular type of unincorporated association is inconsistent with a general provision of this title, the specific statute prevails to the extent of the inconsistency.” Proposed Corp. Code § 18060.

9. See Civ. Code §§ 1355-1356.

10. See proposed Corp. Code §18740 (amendment of governing documents) *infra*.

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PROPOSED LEGISLATION

1 ☞ **Note.** The organization of the proposed law assumes enactment of the Commission’s
2 recommendation on *Unincorporated Associations*, 33 Cal. L. Revision Comm’n Reports 729
3 (2003), which would reorganize Part 1 of Title 3 of the Corporations Code. The reorganized Part
4 1 contains chapter headings and includes provisions relevant to the proposed law, including the
5 following:

6 18005. “Director” means a natural person serving as a member of the board or other
7 representative governing body of the association.

8 18010. “Governing principles” means the principles stated in the constitution, articles of
9 association, bylaws, regulations or other writing that governs the purpose or operation of an
10 unincorporated association or the rights or obligations of its members. If there is no written
11 provision governing an issue, the association’s governing principles regarding that issue may be
12 inferred from its established practices. For the purpose of this section, “established practices”
13 means the practices used by an unincorporated association without material change or exception
14 during the most recent five years of its existence, or if it has existed for less than five years,
15 during its entire existence.

16 18015. (a) If the governing principles of an unincorporated association define the membership
17 of the association, “member” has the meaning provided by the governing principles.

18 (b) If the governing principles of an unincorporated association do not define the membership
19 of the association, “member” means a person who, pursuant to the governing principles of the
20 unincorporated association, has a right to participate in the selection of persons authorized to
21 manage the affairs of the unincorporated association or in the development of policy of the
22 unincorporated association, but does not include a person who participates solely as director,
23 officer, or agent of the association.

24 18025. “Officer” means a natural person serving as an unincorporated association’s chair,
25 president, secretary, chief financial officer, or other position of authority that is established
26 pursuant to the association’s governing principles.

27 18030. “Person” includes a natural person, corporation, partnership or other unincorporated
28 organization, government or governmental subdivision or agency, or any other entity.

29 18035. (a) “Unincorporated association” means an unincorporated group of two or more
30 persons joined by mutual consent for a common lawful purpose, whether organized for profit or
31 not.

32 (b) Joint tenancy, tenancy in common, community property, or other form of property tenure
33 does not by itself establish an unincorporated association, even if coowners share ownership of
34 the property for a common purpose.

35 (c) Marriage or creation of a registered domestic partnership does not by itself establish an
36 unincorporated association.

37 18060. If a statute specific to a particular type of unincorporated association is inconsistent with
38 a general provision of this title, the specific statute prevails to the extent of the inconsistency.

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CORPORATIONS CODE

TITLE 3. UNINCORPORATED ASSOCIATION

PART 1. GENERAL PROVISIONS

CHAPTER 1. DEFINITIONS

Corp. Code § 18003 (added). Board

SEC. _____. Section 18003 is added to the Corporations Code, to read:
18003. “Board” means the board of directors or other representative governing body of an unincorporated association.

Comment. Section 18003 is new. See also Sections 18005 (“director” defined), 18035 (“unincorporated association” defined).

Corp. Code § 18008 (added). Governing documents

SEC. _____. Section 18008 is added to the Corporations Code, to read:
18008. “Governing document” means a constitution, articles of association, bylaws, or other writing that governs the purpose or operation of an unincorporated association or the rights or obligations of its members.

Comment. Section 18008 is new. See also Sections 18015 (“member” defined), 18035 (“unincorporated association” defined).

Corp. Code § 18010 (amended). Governing principles

SEC. _____. Section 18010 of the Corporations Code is amended to read:
18010. “Governing principles” means the principles stated in ~~the constitution, articles of association, bylaws, regulations or other writing that governs the purpose or operation of an unincorporated association or the rights or obligations of its members~~ an unincorporated association’s governing documents. If there is ~~no written~~ an association has no governing documents or the governing documents do not include a provision governing an issue, the association’s governing principles relating to that issue may be inferred from its established practices. For the purpose of this section, “established practices” means the practices used by an unincorporated association without material change or exception during the most recent five years of its existence, or if it has existed for less than five years, during its entire existence.

Comment. Section 18010 is amended to reflect the definition of “governing documents” provided in Section 18008. See also Sections 8 (“writing” defined), 18015 (“member” defined), 18035 (“unincorporated association” defined).

1 **Corp. Code §§ 18700-18810 (added). Governance**

2 SEC. ____ Chapter 6 (commencing with Section 18700) is added to the
3 Corporations Code, to read:

4 CHAPTER 6. GOVERNANCE

5 Article 1. Director Duties

6 **§ 18700. Director duties**

7 18700. (a) A director of an unincorporated association shall perform the duties
8 of a director, including duties as a member of a committee of the board, in good
9 faith, in a manner the director believes to be in the best interests of the association,
10 and with such care, including reasonable inquiry, as an ordinarily prudent person
11 in a like position would use under similar circumstances.

12 (b) A director is entitled to rely on information, opinions, reports, or statements,
13 including financial statements and other financial data, that is prepared or
14 presented by any of the following persons or committees, so long as the director
15 believes that the person or committee is reliable and competent in the matters
16 presented:

17 (1) An officer or employee of the unincorporated association.

18 (2) An attorney, independent accountant, or other expert.

19 (3) A committee of the board upon which the director does not serve, as to
20 matters within its designated authority.

21 (4) If the unincorporated association has a religious purpose, a religious
22 authority, such as a minister, priest, or rabbi, as to matters the director believes to
23 be within that person's designated authority.

24 (c) The governing documents of an unincorporated association may establish a
25 higher standard of conduct than is provided in subdivisions (a) and (b).

26 (d) A person who performs the duties of a director in accordance with this
27 section shall not be liable for an alleged failure to discharge that person's
28 obligations as a director, including any act or omission that exceeds or defeats any
29 purpose to which the unincorporated association, or assets held by it, may be
30 dedicated.

31 **Comment.** Section 18700 is new. *Cf.* Sections 309 (general corporation), 5231 (nonprofit
32 public benefit corporation), 7231 (nonprofit mutual benefit corporation), 9241 (nonprofit
33 religious corporation). See also Sections 18003 ("board" defined), 18005 ("director" defined),
34 18008 ("governing documents" defined), 18025 ("officer" defined), 18035 ("unincorporated
35 association" defined).

36 A director decision that satisfies the standard provided in this section may be entitled to judicial
37 deference. See, e.g., *Lamden v. La Jolla Shores Clubdominium*, 21 Cal. 4th 249, 265, 980 P.2d
38 940, 87 Cal. Rptr. 2d 237 (1999) ("where a duly constituted community association board, upon
39 reasonable investigation, in good faith and with regard for the best interests of the community
40 association and its members, exercises discretion within the scope of its authority under relevant
41 statutes, covenants and restrictions to select among means for discharging an obligation to

1 maintain and repair a development’s common areas, courts should defer to the board’s authority
2 and presumed expertise”).

3 Article 2. Termination or Suspension of Membership

4 **§ 18710. Termination of membership**

5 18710. (a) Unless otherwise provided by an unincorporated association’s
6 governing principles, membership in the unincorporated association is terminated
7 by any of the following events:

8 (1) Resignation of the membership.

9 (2) Expiration of the fixed term of the membership, unless the membership is
10 renewed before its expiration.

11 (3) Expulsion of a member.

12 (4) Death of the member.

13 (5) Termination of the legal existence of a member that is not a natural person.

14 (b) Termination of membership does not relieve a person from an obligation
15 incurred as a member before termination, whether arising from contract or
16 otherwise.

17 (c) Termination of membership does not affect the right of an unincorporated
18 association to enforce an obligation of a former member that is incurred before
19 termination, or to obtain damages for its breach.

20 **Comment.** Section 18710 is new. Subdivision (b) makes clear that termination of membership
21 does not relieve a former member from an obligation incurred before termination of membership.
22 Such an obligation might include an obligation for a charge, assessment, fee, or dues, or an
23 obligation for a service or benefit rendered before termination. See also Sections 18015
24 (“member” defined), 18035 (“unincorporated association” defined).

25 **§ 18720. Expulsion or suspension of membership**

26 18720. (a) This section only applies if membership in an unincorporated
27 association includes a significant property right or is important to a member’s
28 professional or business status. This section does not apply to an unincorporated
29 association that has a religious purpose.

30 (b) Expulsion or suspension of a member shall be done in good faith and in a fair
31 and reasonable manner. Any procedure that conforms to the requirements of
32 subdivision (c) is fair and reasonable, but a court may also find another procedure
33 to be fair and reasonable when the full circumstances of the expulsion or
34 suspension are considered.

35 (c) A procedure for expulsion or suspension of a member is fair and reasonable
36 if it satisfies the following requirements:

37 (1) The procedure is included in the unincorporated association’s governing
38 documents, or copies of the procedure are sent annually to all members.

39 (2) The procedure provides for notice to the member who is to be expelled or
40 suspended, including a statement of the reasons for the expulsion or suspension.

1 The notice shall be delivered at least 15 days prior to the effective date of the
2 expulsion or suspension.

3 (3) The procedure provides an opportunity for the member to be heard, orally or
4 in writing, not less than five days before the effective date of the expulsion or
5 suspension by a person or body authorized to decide that the expulsion or
6 suspension not take place.

7 (d) A notice delivered pursuant to this section may be delivered by any method
8 reasonably calculated to provide actual notice. A notice delivered by mail shall be
9 sent by first-class or registered mail to the last address of the member shown on
10 the unincorporated association's records.

11 (e) An action challenging an expulsion or suspension of membership, including a
12 claim alleging defective notice, shall be commenced within one year after the
13 effective date of the expulsion or suspension. The court may order any relief,
14 including reinstatement, it finds equitable under the circumstances. No vote of the
15 members or of the board may be set aside solely because a person was wrongfully
16 excluded from voting by virtue of the challenged expulsion or suspension, unless
17 the court finds that the wrongful expulsion or suspension was in bad faith and for
18 the purpose, and with the effect, of wrongfully excluding the member from the
19 vote or from the meeting at which the vote took place, so as to affect the outcome
20 of the vote.

21 (f) This section governs only the procedure for expulsion or suspension and not
22 the substantive grounds for expulsion or suspension. An expulsion or suspension
23 based on substantive grounds that violate contractual or other rights of the member
24 or are otherwise unlawful is not made valid by compliance with this section.

25 **Comment.** Section 18720 is new. It requires good faith and use of a fair procedure before
26 terminating or suspending a membership, where membership involves a property interest or
27 professional status. This is consistent with case law. See, e.g., *Swital v. Real Estate Comm'r*, 116
28 Cal. App. 2d 677 (1953) (member of local realty board may not be expelled without charges,
29 notice, and hearing). To avoid state interference with the free exercise of religion, this section
30 does not apply to an unincorporated association with a religious purpose. *Cf.* Section 7341
31 (expulsion, suspension, or termination of membership in nonprofit mutual benefit corporation).
32 See also Sections 18003 ("board" defined), 18008 ("governing documents" defined), 18015
33 ("member" defined), 18035 ("unincorporated association" defined).

34 **Article 3. Member Voting**

35 **§ 18730. Member voting**

36 18730. Except as otherwise provided by an unincorporated association's
37 governing principles, the following rules govern a member vote conducted
38 pursuant to this chapter:

39 (a) A vote may be conducted either at a member meeting at which a quorum is
40 present or by a written ballot in which the number of votes cast equals or exceeds
41 the number required for a quorum.

1 (b) Notice of the vote shall be delivered to all members entitled to vote on the
2 date of delivery. The notice shall be delivered or mailed or sent electronically to
3 the member addresses shown in the association’s records a reasonable time before
4 the vote is to be conducted. The notice shall state the matter to be decided and
5 describe how and when the vote is to be conducted.

6 (c) If the vote is to be conducted by written ballot, the notice of the vote shall
7 serve as the ballot. It shall set forth the proposed action, provide an opportunity to
8 specify approval or disapproval of any proposal, and provide a reasonable time
9 within which to return the ballot to the unincorporated association.

10 (d) One-third of the voting power of the association constitutes a quorum.

11 (e) The voting power of the association is the total number of votes that can be
12 cast by members on a particular issue at the time the member vote is held.

13 **Comment.** Section 18730 is new. See also Sections 18010 (“governing principles” defined),
14 18015 (“member” defined), 18035 (“unincorporated association” defined).

15 ☞ **Note.** The Commission would like to receive comment on whether the default rules should
16 expressly allow voting by proxy. An alternative would be to prohibit proxy voting unless it is
17 permitted under an association’s governing principles.

18 Article 4. Amendment of Governing Documents

19 **§ 18740. Amendment of governing documents**

20 18740. If an unincorporated association’s governing principles do not provide a
21 procedure to amend the association’s governing documents, the governing
22 documents may be amended by a vote of the members. The amendment shall be
23 approved by an affirmative majority of the votes cast, either at a meeting at which
24 a quorum is present, or by a written ballot in which the total number of votes cast
25 constitutes a quorum.

26 **Comment.** Section 18740 is new. See also Sections 18008 (“governing documents” defined),
27 18010 (“governing principles” defined), 18015 (“member” defined), 18035 (“unincorporated
28 association” defined), 18730 (member voting procedure).

29 An amendment of an unincorporated association’s governing documents may not impair an
30 existing contract right without the consent of the person whose right would be affected. See
31 *Hogan v. Pacific Endowment League*, 99 Cal. 248, 250, 33 P. 924 (1893). However, if the
32 governing documents reserve the power to make future changes to member benefits, an
33 association may amend its governing documents in a way that impairs those benefits so long as
34 the change is substantively reasonable. An association cannot use its power of amendment to
35 repudiate its fair and just obligations. See *Power v. Sheriff’s Relief Ass’n of Los Angeles County*,
36 57 Cal. App. 2d 350, 134 P.2d 827 (1943).

37 Article 5. Merger

38 **§ 18750. Definitions**

39 18750. As used in this article, the following terms have the following meanings:

40 (a) “Constituent entity” means an entity that is merged with one or more other
41 entities and includes the surviving entity.

1 (b) “Disappearing entity” means a constituent entity that is not the surviving
2 entity.

3 (c) “Surviving entity” means an entity into which one or more other entities are
4 merged.

5 **Comment.** Subdivision (a) of Section 18750 is drawn from Section 5044. Subdivision (b) is
6 drawn from Section 5048. Subdivision (c) is drawn from Section 5074. See also Section 18035
7 (“unincorporated association” defined).

8 **§ 18760. Merger authority**

9 18760. An unincorporated association may merge with any other unincorporated
10 association, domestic corporation, foreign corporation, or other business entity that
11 is authorized by law to effect such a merger. As used in this section, the term
12 “other business entity” has the meaning provided in Section 5063.5.

13 **Comment.** Section 18760 is new. See also Section 18035 (“unincorporated association”
14 defined).

15 **§ 18770. Merger procedure**

16 18770. A merger involving an unincorporated association is subject to the
17 following requirements:

18 (a) Each party to the merger shall approve an agreement of merger. The
19 agreement shall include the following provisions:

20 (1) The terms of the merger.

21 (2) Any amendments the merger would make to the articles, bylaws, or other
22 governing documents of the surviving entity.

23 (3) The name and place of organization of each constituent entity.

24 (4) The name of the constituent entity that will be the surviving entity.

25 (5) If the name of the surviving entity will be changed in the merger, the new
26 name of the surviving entity.

27 (6) The disposition of the memberships or ownership interests of each
28 unincorporated association.

29 (7) Other details or provisions, if any, including any details or provisions
30 required by the law under which a constituent entity is organized.

31 (b) The principal terms of the merger agreement shall be approved by the board,
32 the members, and any person whose approval is required by the association’s
33 governing documents. Unless otherwise provided in the governing documents, the
34 members shall approve the agreement in the manner provided for amendment of
35 the association’s governing documents. The members may approve the agreement
36 before or after the board approves the agreement.

37 (c) A merger agreement that would cause the members of an unincorporated
38 association to become individually liable for an obligation of a constituent or
39 surviving entity shall be approved by all of the members of the unincorporated
40 association. Approval by all members is not required under this subdivision if the
41 agreement of merger provides for purchase by the surviving entity of the

1 membership interest of a member who votes against approval of the merger
2 agreement.

3 (d) A merger agreement may be amended by the board, unless the amendment
4 would change a principal term of the agreement, in which case it shall be approved
5 as provided in subdivision (b).

6 (e) Subject to the contractual rights of third parties, the board may abandon a
7 merger without the approval of the members.

8 **Comment.** Section 18770 is new. *Cf.* Sections 8011-8019 (merger of nonprofit mutual benefit
9 corporation). See also Sections 18003 (“board” defined), 18005 (“director” defined), 18008
10 (“governing documents” defined), 18015 (“member” defined), 18035 (“unincorporated
11 association” defined).

12 Subdivision (c) requires that all members of an unincorporated association approve an
13 agreement of merger that would result in member liability. For example, if an unincorporated
14 association merges with a general partnership and the partnership is the surviving entity, the
15 members of the disappearing association would become individually liable for any future
16 obligations of the partnership. See Section 16306 (partners jointly and severally liable for
17 obligations of partnership). All members of the unincorporated association would need to approve
18 such a merger, unless the agreement of merger provides for purchase by the surviving partnership
19 of the interest of a dissenting member of the unincorporated association.

20  **Note.** This section provides rules for merger that are simpler than the rules for merger
21 involving a nonprofit corporation. The Commission would like to receive comment on whether
22 any element of the corporate merger rules should be added to the rules for merger involving an
23 unincorporated association.

24 § 18780. Effect of merger

25 18780. (a) Merger pursuant to this article has the following effect:

26 (1) The separate existence of each disappearing entity ceases.

27 (2) The surviving entity succeeds, without other transfer, to the rights and
28 property of the disappearing entity.

29 (3) The surviving entity is subject to all the debts and liabilities of the
30 disappearing entity. A trust or other obligation governing property of the
31 disappearing entity applies as if it were incurred by the surviving entity.

32 (b) All rights of creditors and all liens on or arising from the property of each of
33 the constituent entities shall be preserved unimpaired, provided that a lien on
34 property of a disappearing entity is limited to the property subject to the lien
35 immediately before the merger is effective.

36 (c) An action or proceeding pending by or against a disappearing entity or other
37 party to the merger may be prosecuted to judgment, which shall bind the surviving
38 entity, or the surviving entity may be proceeded against or substituted in its place.

39 (d) Merger does not affect an existing liability of a member, director, officer, or
40 agent of a constituent unincorporated association for an obligation of the
41 unincorporated association.

42 **Comment.** Subdivisions (a)-(c) of Section 18780 are drawn from Section 8020. Subdivision (d)
43 is new. See also Sections 18005 (“director” defined), 18015 (“member” defined), 18025
44 (“officer” defined), 18035 (“unincorporated association” defined).

1 ☞ **Notes.** (1) Section 18780 states the effect of a merger “pursuant to this article.” That would
2 exclude unincorporated associations that purport to merge their operations and existence despite a
3 failure to follow the procedures provided in this article. Should Section 18780 apply to such de
4 facto mergers, or are the requirements of this article modest enough to serve as a minimum
5 requirement for effective merger?

6 (2) Section 18770 is drawn from existing Section 8020. A reference to trusts in Section 8020(b)
7 seems to duplicate the substantive effect of the reference to trusts in Section 8020(a). The
8 apparently redundant reference is not continued in Section 18780. The Commission would like to
9 receive comments on whether that change would cause any problems.

10 **§ 18790. Record ownership of real property**

11 18790. If, as a consequence of merger, a surviving entity succeeds to ownership
12 of real property of a disappearing entity that is located in this state, the surviving
13 entity’s record ownership of that property may be evidenced by recording in the
14 county in which the property is located a copy of the agreement of merger that is
15 signed by the president and secretary or other comparable officers of the
16 constituent entities and is verified and acknowledged as provided in Sections 149
17 and 193.

18 **Comment.** Section 18790 is drawn from Section 8021.

19 **§ 18800. Future transfers**

20 18800. A bequest, devise, gift, grant, or promise contained in a will or other
21 instrument of donation, subscription, or conveyance, which is made to a
22 disappearing entity and which takes effect or remains payable after the merger,
23 shall operate to the benefit of the surviving entity. A trust obligation that would
24 govern property if transferred to the disappearing entity applies to property that is
25 instead transferred to the surviving entity under this section.

26 **Comment.** Section 18800 is drawn from Section 8022. The second sentence is added to make
27 clear that property that would be impressed with a trust if transferred to a disappearing entity does
28 not avoid that trust as a result of transfer to a surviving entity under this section. See *Lynch v.*
29 *Spilman*, 67 Cal. 2d 251, 260, 431 P.2d 636, 62 Cal. Rptr. 12 (1967) (“property transferred to a
30 corporation or other institution organized for a charitable purpose without a declaration of the use
31 to which the property is to be put, is received and held by it ‘in trust to carry out the objects for
32 which the organization was created.’”) (citations omitted).

33 ☞ **Note.** The second sentence is added to Section 18800 to clarify an ambiguous point. Should
34 similar language be added to parallel provisions of nonprofit corporations law (i.e., Sections 6022
35 and 8022)?

36 **Article 6. Dissolution**

37 **§ 18810. Dissolution**

38 18810. An unincorporated association may be dissolved by any of the following
39 methods:

40 (a) If the association’s governing documents provide a method for dissolution,
41 by that method.

1 (b) If the association’s governing documents do not provide a method for
2 dissolution, by the affirmative vote of a majority of the voting power of the
3 association.

4 (c) If the association’s operations have been discontinued, by court order.

5 (d) If the association’s operations have been discontinued for at least three years,
6 by the board or, if the association has no incumbent board, by the members of its
7 last preceding incumbent board.

8 **Comment.** Section 18810 is new. Subdivision (a) is consistent with case law. See *Holt v. Santa*
9 *Clara County Sheriff’s Benefit Ass’n*, 250 Cal. App. 2d 925, 930, 59 Cal. Rptr. 180 (1967). An
10 unincorporated association that is subordinate to another organization may be subject to
11 dissolution by order of the superior organization. *Id.* See also Sections 18003 (“board” defined),
12 18005 (“director” defined), 18008 (“governing documents” defined), 18015 (“member” defined),
13 18035 (“unincorporated association” defined), 18730 (member voting procedure).

14 **§ 18815. Procedure on dissolution**

15 18815. Promptly after commencement of dissolution of an unincorporated
16 association, the board or, if none, the members shall promptly wind up the affairs
17 of the association, pay or provide for its known debts or liabilities, collect any
18 amounts due to it, take any other action as is necessary or appropriate for winding
19 up, settling, and liquidating its affairs, and dispose of its assets as provided in
20 Section 18130.

21 **Comment.** Section 18815 is new. See also Sections 18003 (“board” defined), 18015 (“member”
22 defined), 18035 (“unincorporated association” defined).