1		NUMEROFII CORPORATION ACT AMENDMENTS
2		2015 GENERAL SESSION
3		STATE OF UTAH
4		Chief Sponsor: Lyle W. Hillyard
5		House Sponsor:
6		
7	LONG T	
8	General 1	Description:
9	Tł	nis bill amends the Utah Revised Nonprofit Corporation Act.
10	Highligh	ted Provisions:
11	Tl	nis bill:
12	•	modifies definition provisions;
13	•	provides for use of electronic transmissions;
14	•	addresses private foundations;
15	•	addresses incorporation;
16	•	provides for mutual benefit corporations to purchase memberships;
17	•	modifies provision addressing no property rights;
18	•	addresses action without meeting and action by written ballot;
19	•	modifies provision related to voting entitlement;
20	•	modifies provisions related to board of directors;
21	•	addresses authorized actions of a committee of the board;
22	•	modifies provisions related to conflicting interest transactions;
23	•	modifies provisions related to court-ordered indemnification of a director;
24	•	addresses provisions related to articles of incorporation;
25	•	provides for voting members to vote on amendment to convert to a corporation;
26	•	modifies effect of dissolution provision; and
27	•	makes technical and conforming changes.



28	Money Appropriated in this Bill:
29	None
30	Other Special Clauses:
31	None
32	Utah Code Sections Affected:
33	AMENDS:
34	16-6a-102, as last amended by Laws of Utah 2009, Chapter 386
35	16-6a-103, as last amended by Laws of Utah 2009, Chapter 388
36	16-6a-116, as last amended by Laws of Utah 2002, Chapter 197
37	16-6a-203, as enacted by Laws of Utah 2000, Chapter 300
38	16-6a-610, as enacted by Laws of Utah 2000, Chapter 300
39	16-6a-611, as last amended by Laws of Utah 2007, Chapter 315
40	16-6a-705, as enacted by Laws of Utah 2000, Chapter 300
41	16-6a-707, as last amended by Laws of Utah 2002, Chapter 197
42	16-6a-709, as last amended by Laws of Utah 2010, Chapter 378
43	16-6a-711, as last amended by Laws of Utah 2007, Chapter 315
44	16-6a-712, as enacted by Laws of Utah 2000, Chapter 300
45	16-6a-801, as enacted by Laws of Utah 2000, Chapter 300
46	16-6a-807, as enacted by Laws of Utah 2000, Chapter 300
47	16-6a-808, as last amended by Laws of Utah 2014, Chapter 160
48	16-6a-813, as enacted by Laws of Utah 2000, Chapter 300
49	16-6a-814, as last amended by Laws of Utah 2009, Chapter 388
50	16-6a-815, as last amended by Laws of Utah 2006, Chapter 228
51	16-6a-817, as last amended by Laws of Utah 2001, Chapter 127
52	16-6a-825, as last amended by Laws of Utah 2007, Chapter 315
53	16-6a-905, as last amended by Laws of Utah 2006, Chapter 228
54	16-6a-1002, as last amended by Laws of Utah 2008, Chapter 364
55	16-6a-1003, as enacted by Laws of Utah 2000, Chapter 300
56	16-6a-1006, as enacted by Laws of Utah 2000, Chapter 300
57	16-6a-1008, as last amended by Laws of Utah 2009, Chapter 386
58	16-6a-1302, as last amended by Laws of Utah 2009, Chapter 386

	16-6a-1405, as last amended by Laws of Utah 2007, Chapter 315
	42-2-6.6, as last amended by Laws of Utah 2010, Chapter 218
В	e it enacted by the Legislature of the state of Utah:
	Section 1. Section 16-6a-102 is amended to read:
	16-6a-102. Definitions.
	As used in this chapter:
	(1) (a) "Address" means a location where mail can be delivered by the United States
P	ostal Service.
	(b) "Address" includes:
	(i) a post office box number;
	(ii) a rural free delivery route number; and
	(iii) a street name and number.
	(2) "Affiliate" means a person that directly or indirectly through one or more
ir	ntermediaries controls, or is controlled by, or is under common control with, the person
sį	pecified.
	(3) "Articles of incorporation" include:
	(a) amended articles of incorporation;
	(b) restated articles of incorporation;
	(c) articles of merger; and
	(d) a document of a similar import to the documents described in Subsections (3)(a)
th	nrough (c).
	(4) "Assumed corporate name" means a name assumed for use in this state:
	(a) by a:
	(i) foreign corporation pursuant to Section 16-10a-1506; or
	(ii) a foreign nonprofit corporation pursuant to Section 16-6a-1506; and
	(b) because the corporate name of the foreign corporation described in Subsection
(4	4)(a) is not available for use in this state.
	(5) (a) Except as provided in Subsection (5)(b), "board of directors" means the body
aı	uthorized to manage the affairs of a domestic or foreign nonprofit corporation.
	(b) Notwithstanding Subsection (5)(a), a person may not be considered a member of

90 the board of directors because of a power delegated to that person pursuant to Subsection 91 16-6a-801(2). (6) (a) "Bylaws" means the one or more codes of rules, other than the articles of 92 93 incorporation, adopted pursuant to this chapter for the regulation or management of the affairs 94 of a domestic or foreign nonprofit corporation irrespective of the one or more names by which 95 the codes of rules are designated. 96 (b) "Bylaws" includes: 97 (i) amended bylaws; and 98 (ii) restated bylaws. 99 (7) (a) "Cash" or "money" means: 100 (i) legal tender; 101 (ii) a negotiable instrument; or 102 (iii) other cash equivalent readily convertible into legal tender. (b) "Cash" and "money" are used interchangeably in this chapter. 103 104 (8) (a) "Class" means a group of memberships that has the same right with respect to 105 voting, dissolution, redemption, transfer, or other characteristics. 106 (b) For purposes of Subsection (8)(a), a right is considered the same if it is determined 107 by a formula applied uniformly to a group of memberships. 108 (9) (a) "Conspicuous" means so written that a reasonable person against whom the 109 writing is to operate should have noticed the writing. 110 (b) "Conspicuous" includes printing or typing in: 111 (i) italics; 112 (ii) boldface; 113 (iii) contrasting color; 114 (iv) capitals; or 115 (v) underlining. 116 (10) "Control" or a "controlling interest" means the direct or indirect possession of the 117 power to direct or cause the direction of the management and policies of an entity by: 118 (a) the ownership of voting shares; 119 (b) contract; or

(c) a means other than those specified in Subsection (10)(a) or (b).

121	(11) Subject to Section 16-6a-207, "cooperative nonprofit corporation" or
122	"cooperative" means a nonprofit corporation organized or existing under this chapter.
123	(12) "Corporate name" means:
124	(a) the name of a domestic corporation as stated in the domestic corporation's articles
125	of incorporation;
126	(b) the name of a domestic nonprofit corporation as stated in the domestic nonprofit
127	corporation's articles of incorporation;
128	(c) the name of a foreign corporation as stated in the foreign corporation's:
129	(i) articles of incorporation; or
130	(ii) document of similar import to articles of incorporation; or
131	(d) the name of a foreign nonprofit corporation as stated in the foreign nonprofit
132	corporation's:
133	(i) articles of incorporation; or
134	(ii) document of similar import to articles of incorporation.
135	(13) "Corporation" or "domestic corporation" means a corporation for profit that:
136	(a) is not a foreign corporation; and
137	(b) is incorporated under or subject to Chapter 10a, Utah Revised Business Corporation
138	Act.
139	(14) "Delegate" means a person elected or appointed to vote in a representative
140	assembly:
141	(a) for the election of a director; or
142	(b) on matters other than the election of a director.
143	(15) "Deliver" includes delivery by mail or another means of transmission authorized
144	by Section 16-6a-103, except that delivery to the division means actual receipt by the division.
145	(16) "Director" means a member of the board of directors.
146	(17) (a) "Distribution" means the payment of a dividend or any part of the income or
147	profit of a nonprofit corporation to the nonprofit corporation's:
148	(i) members;
149	(ii) directors; or
150	(iii) officers.
151	(b) "Distribution" does not include a fair-value payment for:

152	(i) a good sold; or
153	(ii) a service received.
154	(18) "Division" means the Division of Corporations and Commercial Code.
155	(19) "Effective date," when referring to a document filed by the division, means the
156	time and date determined in accordance with Section 16-6a-108.
157	(20) "Effective date of notice" means the date notice is effective as provided in Section
158	16-6a-103.
159	(21) "Electronic transmission" or "electronically transmitted" means a process of
160	communication not directly involving the physical transfer of paper that is suitable for the
161	receipt, retention, retrieval, and reproduction of information by the recipient, whether by email,
162	texting, facsimile, or otherwise.
163	$\left[\frac{(21)}{(22)}\right]$ (a) "Employee" includes an officer of a nonprofit corporation.
164	(b) (i) Except as provided in Subsection [(21)] (22)(b)(ii), "employee" does not include
165	a director of a nonprofit corporation.
166	(ii) Notwithstanding Subsection [(21)] (22)(b)(i), a director may accept one or more
167	duties that make that director an employee of a nonprofit corporation.
168	$[\frac{(22)}{(23)}]$ "Executive director" means the executive director of the Department of
169	Commerce.
170	[(23)] <u>(24)</u> "Entity" includes:
171	(a) a domestic or foreign corporation;
172	(b) a domestic or foreign nonprofit corporation;
173	(c) a limited liability company;
174	(d) a profit or nonprofit unincorporated association;
175	(e) a business trust;
176	(f) an estate;
177	(g) a partnership;
178	(h) a trust;
179	(i) two or more persons having a joint or common economic interest;
180	(j) a state;
181	(k) the United States; or
182	(l) a foreign government.

183	$\left[\frac{(24)}{(25)}\right]$ "Foreign corporation" means a corporation for profit incorporated under a
184	law other than the laws of this state.
185	[(25)] (26) "Foreign nonprofit corporation" means an entity:
186	(a) incorporated under a law other than the laws of this state; and
187	(b) that would be a nonprofit corporation if formed under the laws of this state.
188	[(26)] <u>(27)</u> "Governmental entity" means:
189	(a) (i) the executive branch of the state;
190	(ii) the judicial branch of the state;
191	(iii) the legislative branch of the state;
192	(iv) an independent entity, as defined in Section 63E-1-102;
193	(v) a political subdivision of the state;
194	(vi) a state institution of higher education, as defined in Section 53B-3-102;
195	(vii) an entity within the state system of public education; or
196	(viii) the National Guard; or
197	(b) any of the following that is established or controlled by a governmental entity listed
198	in Subsection $[(26)]$ (27)(a) to carry out the public's business:
199	(i) an office;
200	(ii) a division;
201	(iii) an agency;
202	(iv) a board;
203	(v) a bureau;
204	(vi) a committee;
205	(vii) a department;
206	(viii) an advisory board;
207	(ix) an administrative unit; or
208	(x) a commission.
209	[(27)] (28) "Governmental subdivision" means:
210	(a) a county;
211	(b) a city;
212	(c) a town; or
213	(d) another type of governmental subdivision authorized by the laws of this state.

214	[(28)] (29) "Individual" means:
215	(a) a natural person;
216	•
	(b) the estate of an incompetent individual; or
217	(c) the estate of a deceased individual.
218	[(29)] (30) "Internal Revenue Code" means the federal "Internal Revenue Code of
219	1986," as amended from time to time, or to corresponding provisions of subsequent internal
220	revenue laws of the United States of America.
221	[(30)] (31) (a) "Mail," "mailed," or "mailing" means deposit, deposited, or depositing
222	in the United States mail, properly addressed, first-class postage prepaid.
223	(b) "Mail," "mailed," or "mailing" includes registered or certified mail for which the
224	proper fee is paid.
225	[(31)] (32) (a) "Member" means one or more persons identified or otherwise appointed
226	as a member of a domestic or foreign nonprofit corporation as provided:
227	(i) in the articles of incorporation;
228	(ii) in the bylaws;
229	(iii) by a resolution of the board of directors; or
230	(iv) by a resolution of the members of the nonprofit corporation.
231	(b) "Member" includes "voting member."
232	[(32)] (33) "Membership" refers to the rights and obligations of a member or members
233	[(33)] (34) "Mutual benefit corporation" means a nonprofit corporation:
234	(a) that issues shares of stock to its members evidencing a right to receive distribution
235	of water or otherwise representing property rights; or
236	(b) all of whose assets are contributed or acquired by or for the members of the
237	nonprofit corporation or their predecessors in interest to serve the mutual purposes of the
238	members.
239	[(34)] (35) "Nonprofit corporation" or "domestic nonprofit corporation" means an
240	entity that:
241	(a) is not a foreign nonprofit corporation; and
242	(b) is incorporated under or subject to this chapter.
243	[(35)] (36) "Notice" [is as provided] means the same as that term is defined in Section
244	16-6a-103.

245	[(36)] (37) "Party related to a director" means:
246	(a) the spouse of the director;
247	(b) a child of the director;
248	(c) a grandchild of the director;
249	(d) a sibling of the director;
250	(e) a parent of the director;
251	(f) the spouse of an individual described in Subsections [(36)] (37)(b) through (e);
252	(g) an individual having the same home as the director;
253	(h) a trust or estate of which the director or another individual specified in this
254	Subsection $[(36)]$ is a substantial beneficiary; or
255	(i) any of the following of which the director is a fiduciary:
256	(i) a trust;
257	(ii) an estate;
258	(iii) an incompetent;
259	(iv) a conservatee; or
260	(v) a minor.
261	[(37)] <u>(38)</u> "Person" means an:
262	(a) individual; or
263	(b) entity.
264	[(38)] <u>(39)</u> "Principal office" means:
265	(a) the office, in or out of this state, designated by a domestic or foreign nonprofit
266	corporation as its principal office in the most recent document on file with the division
267	providing that information, including:
268	(i) an annual report;
269	(ii) an application for a certificate of authority; or
270	(iii) a notice of change of principal office; or
271	(b) if no principal office can be determined, a domestic or foreign nonprofit
272	corporation's registered office.
273	[(39)] <u>(40)</u> "Proceeding" includes:
274	(a) a civil suit;
275	(b) arbitration;

276	(c) mediation;
277	(d) a criminal action;
278	(e) an administrative action; or
279	(f) an investigatory action.
280	[(40)] (41) "Receive," when used in reference to receipt of a writing or other document
281	by a domestic or foreign nonprofit corporation, means the writing or other document is actually
282	received:
283	(a) by the domestic or foreign nonprofit corporation at:
284	(i) its registered office in this state; or
285	(ii) its principal office;
286	(b) by the secretary of the domestic or foreign nonprofit corporation, wherever the
287	secretary is found; or
288	(c) by another person authorized by the bylaws or the board of directors to receive the
289	writing or other document, wherever that person is found.
290	[(41)] (42) (a) "Record date" means the date established under Part 6, Members, or Par
291	7, Member Meetings and Voting, on which a nonprofit corporation determines the identity of
292	the nonprofit corporation's members.
293	(b) The determination described in Subsection [(41)] (42)(a) shall be made as of the
294	close of business on the record date unless another time for doing so is specified when the
295	record date is fixed.
296	[(42)] (43) "Registered agent" means the registered agent of:
297	(a) a domestic nonprofit corporation; or
298	(b) a foreign nonprofit corporation.
299	[(43)] (44) "Registered office" means the office within this state designated by a
300	domestic or foreign nonprofit corporation as its registered office in the most recent document
301	on file with the division providing that information, including:
302	(a) articles of incorporation;
303	(b) an application for a certificate of authority; or
304	(c) a notice of change of registered office.
305	[(44)] (45) "Secretary" means the corporate officer to whom the bylaws or the board of
306	directors delegates responsibility under Subsection 16-6a-818(3) for:

307	(a) the preparation and maintenance of:
308	(i) minutes of the meetings of:
309	(A) the board of directors; or
310	(B) the members; and
311	(ii) the other records and information required to be kept by the nonprofit corporation
312	pursuant to Section 16-6a-1601; and
313	(b) authenticating records of the nonprofit corporation.
314	[(46)] (46) "Share" means a unit of interest in a nonprofit corporation.
315	[(45)] (47) "Shareholder" means a person in whose name a share is registered in the
316	records of a nonprofit corporation.
317	[(47)] (48) "State," when referring to a part of the United States, includes:
318	(a) a state;
319	(b) a commonwealth;
320	(c) the District of Columbia;
321	(d) an agency or governmental and political subdivision of a state, commonwealth, or
322	District of Columbia;
323	(e) territory or insular possession of the United States; or
324	(f) an agency or governmental and political subdivision of a territory or insular
325	possession of the United States.
326	[(48)] <u>(49)</u> "Street address" means:
327	(a) (i) street name and number;
328	(ii) city or town; and
329	(iii) United States post office zip code designation; or
330	(b) if, by reason of rural location or otherwise, a street name, number, city, or town
331	does not exist, an appropriate description other than that described in Subsection [(48)] (49)(a)
332	fixing as nearly as possible the actual physical location, but only if the information includes:
333	(i) the rural free delivery route;
334	(ii) the county; and
335	(iii) the United States post office zip code designation.
336	[(49)] (50) "Tribe" means a tribe, band, nation, pueblo, or other organized group or
337	community of Indians, including an Alaska Native village, that is legally recognized as eligible

338	for and is consistent with a special program, service, or entitlement provided by the United
339	States to Indians because of their status as Indians.
340	[(50)] (51) "Tribal nonprofit corporation" means a nonprofit corporation:
341	(a) incorporated under the law of a tribe; and
342	(b) that is at least 51% owned or controlled by the tribe.
343	[(51)] (52) "United States" includes a district, authority, office, bureau, commission,
344	department, and another agency of the United States of America.
345	[(52)] <u>(53)</u> "Vote" includes authorization by:
346	(a) written ballot; and
347	(b) written consent.
348	[(53)] (54) (a) "Voting group" means all the members of one or more classes of
349	members or directors that, under this chapter, the articles of incorporation, or the bylaws, are
350	entitled to vote and be counted together collectively on a matter.
351	(b) All members or directors entitled by this chapter, the articles of incorporation, or
352	the bylaws to vote generally on a matter are for that purpose a single voting group.
353	[(54)] (55) (a) "Voting member" means a person entitled to vote for all matters
354	required or permitted under this chapter to be submitted to a vote of the members, except as
355	otherwise provided in the articles of incorporation or bylaws.
356	(b) A person is not a voting member solely because of:
357	(i) a right the person has as a delegate;
358	(ii) a right the person has to designate a director; or
359	(iii) a right the person has as a director.
360	(c) Except as the bylaws may otherwise provide, "voting member" includes a
361	"shareholder" if the nonprofit corporation has shareholders.
362	Section 2. Section 16-6a-103 is amended to read:
363	16-6a-103. Notice.
364	(1) Notice given under this chapter shall be in writing unless oral notice is reasonable
365	under the circumstances.
366	(2) (a) Notice may be communicated:
367	(i) in person;
368	(ii) by telephone;

369	(iii) by [any form of electronic communication] electronic transmission; or
370	(iv) by mail or private carrier.
371	(b) If the forms of personal notice described in Subsection (2)(a) are impracticable,
372	notice may be communicated by:
373	(i) (A) a newspaper of general circulation in the county or similar governmental
374	subdivision in which the corporation's principal or registered office is located; and
375	(B) as required in Section 45-1-101; or
376	(ii) radio, television, or other form of public broadcast communication in the county or
377	similar governmental subdivision in which the corporation's principal or registered office is
378	located.
379	(3) Written notice to a domestic or foreign nonprofit corporation authorized to conduct
380	affairs in this state may be addressed to:
381	(a) its registered agent at its registered office; or
382	(b) the corporation's secretary at its principal office.
383	(4) (a) Written notice by a domestic or foreign nonprofit corporation to its members, is
384	effective as to each member when mailed, if:
385	(i) in a comprehensible form; and
386	(ii) addressed to the member's address shown in the domestic or foreign nonprofit
387	corporation's current record of members.
388	(b) If three successive notices given to a member pursuant to Subsection (5) have been
389	returned as undeliverable, further notices to that member are not necessary until another
390	address of the member is made known to the nonprofit corporation.
391	(5) Except as provided in Subsection (4), written notice, if in a comprehensible form, is
392	effective at the earliest of the following:
393	(a) when received;
394	(b) five days after it is mailed; or
395	(c) on the date shown on the return receipt if:
396	(i) sent by registered or certified mail;
397	(ii) sent return receipt requested; and
398	(iii) the receipt is signed by or on behalf of the addressee.
399	(6) Oral notice is effective when communicated if communicated in a comprehensible

400	manner.
401	(7) Notice by publication is effective on the date of first publication.
402	(8) A written notice or report delivered as part of a newsletter, magazine, or other
403	publication regularly sent to members shall constitute a written notice or report if:
404	(a) addressed or delivered to the member's address shown in the nonprofit corporation's
405	current list of members; or
406	(b) if two or more members are residents of the same household and have the same
407	address in the nonprofit corporation's current list of members, addressed or delivered to one of
408	the members at the address appearing on the current list of members.
409	(9) (a) If this chapter prescribes notice requirements for particular circumstances, the
410	notice requirements for the particular circumstances govern.
411	(b) If articles of incorporation or bylaws prescribe notice requirements not inconsistent
412	with this section or other provisions of this chapter, the notice requirements of the articles of
413	incorporation or bylaws govern.
414	Section 3. Section 16-6a-116 is amended to read:
415	16-6a-116. Private foundations.
416	Except [as otherwise specified in the articles of incorporation or as provided] when
417	otherwise determined by a court of competent jurisdiction, a nonprofit corporation that is a
418	private foundation as defined in Section 509(a), Internal Revenue Code:
419	(1) shall make distributions for each taxable year at the time and in the manner as not
420	to subject the nonprofit corporation to tax under Section 4942, Internal Revenue Code;
421	(2) may not engage in any act of self-dealing as defined in Section 4941(d), Internal
422	Revenue Code;
423	(3) may not retain any excess business holdings as defined in Section 4943(c), Internal
424	Revenue Code;
425	(4) may not make any investments that would subject the nonprofit corporation to
426	taxation under Section 4944, Internal Revenue Code; and
427	(5) may not make any taxable expenditures as defined in Section 4945(d), Internal
428	Revenue Code.
429	Section 4. Section 16-6a-203 is amended to read:
430	16-6a-203. Incorporation.

431	(1) A nonprofit corporation is incorporated, and its corporate existence begins:
432	(a) when the articles of incorporation are filed by the division; or
433	(b) if a delayed effective date is specified pursuant to Subsection 16-6a-108(2), on the
434	delayed effective date, unless a certificate of withdrawal is filed prior to the delayed effective
435	date.
436	(2) [The] Notwithstanding Subsection 16-6a-110(4), the filing of the articles of
437	incorporation by the division is conclusive proof that all conditions precedent to incorporation
438	have been satisfied, except in a proceeding by the state to:
439	(a) cancel or revoke the incorporation; or
440	(b) involuntarily dissolve the nonprofit corporation.
441	Section 5. Section 16-6a-610 is amended to read:
442	16-6a-610. Purchase of memberships.
443	(1) Unless otherwise provided by the bylaws, a nonprofit corporation may not purchase
444	the membership of a member:
445	(a) who resigns; or
446	(b) whose membership is terminated.
447	(2) (a) If so authorized, a nonprofit corporation may purchase the membership of a
448	member who resigns or whose membership is terminated for the amount and pursuant to the
449	conditions set forth in or authorized by:
450	(i) its bylaws; or
451	(ii) agreement with the affected member.
452	(b) A payment permitted under Subsection (2)(a) may not violate:
453	(i) Section 16-6a-1301; or
454	(ii) any other provision of this chapter.
455	(3) A mutual benefit corporation may purchase a member's membership if, after the
456	purchase is completed:
457	(a) the mutual benefit corporation would be able to pay its debts as they become due in
458	the usual course of its activities; and
459	(b) the mutual benefit corporation's total assets would at least equal the sum of its total
460	<u>liabilities.</u>
461	Section 6. Section 16-6a-611 is amended to read:

462	16-6a-611. No property right.
463	A member does not have any vested property right including any right relating to
464	management, control, purpose, or duration of the nonprofit corporation, except as provided by:
465	(1) the bylaws of a mutual benefit corporation; or
466	(2) other <u>applicable</u> law.
467	Section 7. Section 16-6a-705 is amended to read:
468	16-6a-705. Waiver of notice.
469	(1) (a) A member may waive any notice required by this chapter or by the bylaws,
470	whether before or after the date or time stated in the notice as the date or time when any action
471	will occur or has occurred.
472	(b) A waiver described in Subsection (1) shall be:
473	(i) in writing;
474	(ii) signed by the member entitled to the notice; and
475	(iii) delivered to the nonprofit corporation for:
476	(A) inclusion in the minutes; or
477	(B) filing with the corporate records.
478	(c) A waiver satisfies the requirements of Subsection (1)(b) if communicated by
479	electronic transmission.
480	[(e)] (d) The delivery and filing required under Subsection (1)(b) may not be conditions
481	of the effectiveness of the waiver.
482	(2) A member's attendance at a meeting:
483	(a) waives objection to lack of notice or defective notice of the meeting, unless the
484	member at the beginning of the meeting objects to holding the meeting or transacting business
485	at the meeting because of lack of notice or defective notice; and
486	(b) waives objection to consideration of a particular matter at the meeting that is not
487	within the purpose or purposes described in the meeting notice, unless the member objects to
488	considering the matter when it is presented.
489	Section 8. Section 16-6a-707 is amended to read:
490	16-6a-707. Action without meeting.
491	(1) Unless otherwise provided in the articles of incorporation and Subsection (5), and
492	subject to the limitations of Subsection 16-6a-1704(3), any action that may be taken at any

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annual or special meeting of members may be taken without a meeting and without prior
notice, if one or more consents in writing, setting forth the action taken, are signed by the
members having not less than the minimum voting power that would be necessary to authorize
or take the action at a meeting at which all members entitled to vote on the action were present
and voted.

- (2) (a) Unless the written consents of all members entitled to vote have been obtained, notice of any member approval without a meeting shall be given at least 10 days before the consummation of the transaction, action, or event authorized by the member action to:
 - (i) those members entitled to vote who have not consented in writing; and
- (ii) those members:
 - (A) not entitled to vote; and
 - (B) to whom this chapter requires that notice of the proposed action be given.
- (b) The notice required pursuant to Subsection (2)(a) shall contain or be accompanied by the same material that under this chapter would have been required to be sent in a notice of meeting at which the proposed action would have been submitted to the members for action.
- (3) Any member giving a written consent, or the member's proxyholder or a personal representative of the member or their respective proxyholder, may revoke the consent by a signed writing:
 - (a) describing the action;
 - (b) stating that the member's prior consent is revoked; and
 - (c) that is received by the nonprofit corporation prior to the effectiveness of the action.
- (4) (a) A member action taken pursuant to this section is not effective unless all written consents on which the nonprofit corporation relies for the taking of an action pursuant to Subsection (1) are:
 - (i) received by the nonprofit corporation within a 60-day period; and
- 518 (ii) not revoked pursuant to Subsection (3).
 - (b) Action taken by the members pursuant to this section is effective:
- 520 (i) as of the date the last written consent necessary to effect the action is received by 521 the nonprofit corporation; or
- 522 (ii) if all of the written consents necessary to effect the action specify a later date as the 523 effective date of the action, the later date specified in the consents.

524	(c) If the nonprofit corporation has received written consents in accordance with
525	Subsection (1) signed by all members entitled to vote with respect to the action, the effective
526	date of the member action may be any date that is specified in all the written consents as the
527	effective date of the member action.
528	[(d) Unless otherwise provided by the bylaws, a written consent under this Subsection
529	(4) may be received by the nonprofit corporation by electronically transmitted facsimile or
530	other form of communication providing the nonprofit corporation with a complete copy of the
531	written consent, including a copy of the signature to the written consent.]
532	(d) (i) Unless otherwise provided by the bylaws, a member may deliver a written
533	consent under this section by an electronic transmission that provides the nonprofit corporation
534	with a complete copy of the written consent.
535	(ii) An electronic transmission consenting to an action under this section is considered
536	to be written, signed, and dated for purposes of this section if the electronic transmission is
537	delivered with information from which the corporation can determine:
538	(A) that the electronic transmission is transmitted by the member; and
539	(B) the date on which the electronic transmission is transmitted.
540	(iii) The date on which an electronic transmission is transmitted is considered the date
541	on which a consent is signed.
542	(5) Notwithstanding Subsection (1), directors may not be elected by written consent
543	except by unanimous written consent of all members entitled to vote for the election of
544	directors.
545	(6) If not otherwise determined under Section 16-6a-703 or 16-6a-706, the record date
546	for determining the members entitled to take action without a meeting or entitled to be given
547	notice under Subsection (2) of action taken without a meeting is the date the first member
548	delivers to the nonprofit corporation a writing upon which the action is taken pursuant to
549	Subsection (1).
550	(7) Action taken under this section has the same effect as action taken at a meeting of
551	members and may be so described in any document.
552	Section 9. Section 16-6a-709 is amended to read:
553	16-6a-709. Action by written ballot.
554	(1) Unless otherwise provided by the bylaws, any action that may be taken at any

S.B. 218 555 annual, regular, or special meeting of members may be taken without a meeting if the nonprofit 556 corporation delivers a written ballot to every member entitled to vote on the matter. 557 (2) A written ballot described in Subsection (1) shall: 558 (a) set forth each proposed action; and 559 (b) provide an opportunity to vote for or against each proposed action. 560 (3) (a) Approval by written ballot pursuant to this section shall be valid only when: 561 (i) the time, as determined under Subsection [8] (7), by which all ballots must be received by the nonprofit corporation has passed so that a quorum can be determined; and 562 563 (ii) the number of approvals equals or exceeds the number of votes that would be 564 required to approve the matter at a meeting at which the total number of votes cast was the 565 same as the number of votes cast by ballot. 566 (b) Unless otherwise provided in this chapter or in accordance with Section 16-6a-716, 567 for purposes of taking action by written ballot the number of votes cast by written ballot pursuant to this section constitute a quorum for action on the matter. 568 569 (4) All solicitations for votes by written ballot shall: 570 (a) indicate the number of responses needed to meet the quorum requirements; 571 (b) state the percentage of approvals necessary to approve each matter other than 572 election of directors: 573 (c) specify the time by which a ballot must be received by the nonprofit corporation in 574 order to be counted; and 575 (d) be accompanied by written information sufficient to permit each person casting the 576 ballot to reach an informed decision on the matter. 577 (5) Unless otherwise provided by the bylaws, a written ballot may not be revoked. 578

(6) Action taken under this section has the same effect as action taken at a meeting of members and may be described as such in any document.

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[(7) Unless otherwise provided by the bylaws, a written ballot delivered to every member entitled to vote on the matter or matters therein, as described in this section, may also be used in connection with any annual, regular, or special meeting of members, thereby allowing members the choice of either voting in person or by written ballot delivered by a member to the nonprofit corporation in lieu of attendance at such meeting. Any written ballot shall comply with the requirements of Subsection (2) and shall be counted equally with the

586	votes of members in attendance at any meeting for every purpose, including satisfaction of a
587	quorum requirement.]
588	[(8)] (7) (a) Members shall be provided a fair and reasonable amount of time before the
589	day on which the nonprofit corporation must receive ballots.
590	(b) An amount of time is considered to be fair and reasonable if:
591	(i) members are given at least 15 days from the day on which the notice is mailed, if
592	the notice is mailed by first-class or registered mail;
593	(ii) members are given at least 30 days from the day on which the notice is mailed, if
594	the notice is mailed by other than first-class or registered mail; or
595	(iii) considering all the circumstances, the amount of time is otherwise reasonable.
596	Section 10. Section 16-6a-711 is amended to read:
597	16-6a-711. Voting entitlement generally.
598	(1) Unless otherwise provided by the bylaws:
599	(a) only voting members may vote with respect to any matter required or permitted
600	under this chapter to be submitted to a vote of the members;
601	(b) all references in this chapter to votes of or voting by the members permit voting
602	only by the voting members; and
603	(c) voting members may vote with respect to all matters required or permitted under
604	this chapter to be submitted to a vote of the members.
605	(2) Unless otherwise provided by the [articles of incorporation] bylaws, each member
606	entitled to vote may cast:
607	(a) one vote on each matter submitted to a vote of members for nonprofit corporations
608	other than those in Subsection (2)(b); and
609	(b) one vote for each share held by the member on each matter submitted for a vote of
610	members if the nonprofit corporation issues shares to its members.
611	(3) Unless otherwise provided by the bylaws, if a membership stands of record in the
612	names of two or more persons, the membership's acts with respect to voting have the following
613	effect:
614	(a) If only one votes, the act binds all of the persons whose membership is jointly held.
615	(b) If more than one votes, the vote is divided on a pro-rata basis.
616	Section 11. Section 16-6a-712 is amended to read:

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- (1) Unless otherwise provided by the bylaws, a member entitled to vote may vote or otherwise act in person or by proxy.
- (2) Without limiting the manner in which a member may appoint a proxy to vote or otherwise act for the member, Subsections (2)(a) and (b) constitute valid means of appointing a proxy.
- (a) A member may appoint a proxy by signing an appointment form, either personally or by the member's attorney-in-fact.
- (b) (i) Subject to Subsection (2)(b)(ii) a member may appoint a proxy by transmitting or authorizing the transmission of a telegram, teletype, facsimile, or other electronic transmission providing a written statement of the appointment to:
 - (A) the proxy;
- 629 (B) a proxy solicitor;
 - (C) a proxy support service organization;
- (D) another person duly authorized by the proxy to receive appointments as agent for the proxy; or
 - (E) the nonprofit corporation.
 - (ii) An appointment transmitted under Subsection (2)(b)(i) shall set forth or be transmitted with written evidence from which it can be determined that the member transmitted or authorized the transmission of the appointment.
 - (3) (a) An appointment of a proxy is effective against the nonprofit corporation when received by the nonprofit corporation, including receipt by the nonprofit corporation of an appointment transmitted pursuant to Subsection (2)(b).
 - (b) An appointment is valid for 11 months unless a different period is expressly provided in the appointment form.
 - (4) Any complete copy, including an [electronically transmitted facsimile] electronic transmission, of an appointment of a proxy may be substituted for or used in lieu of the original appointment for any purpose for which the original appointment could be used.
 - (5) An appointment of a proxy is revocable by the member.
- (6) An appointment of a proxy is revoked by the person appointing the proxy:
- (a) attending any meeting and voting in person; or

648	(b) signing and delivering to the secretary or other officer or agent authorized to
649	tabulate proxy votes:
650	(i) a writing stating that the appointment of the proxy is revoked; or
651	(ii) a subsequent appointment form.
652	(7) The death or incapacity of the member appointing a proxy does not affect the right
653	of the nonprofit corporation to accept the proxy's authority unless notice of the death or
654	incapacity is received by the secretary or other officer or agent authorized to tabulate votes
655	before the proxy exercises the proxy's authority under the appointment.
656	(8) Subject to Section 16-6a-713 and to any express limitation on the proxy's authority
657	appearing on the appointment form, a nonprofit corporation is entitled to accept the proxy's
658	vote or other action as that of the member making the appointment.
659	Section 12. Section 16-6a-801 is amended to read:
660	16-6a-801. Requirement for board of directors.
661	(1) A nonprofit corporation shall have a board of directors.
662	(2) (a) Except as <u>may otherwise be</u> provided in this chapter [or], including Subsection
663	(2)(b), all corporate powers shall be exercised by or under the authority of, and the business
664	and affairs of the nonprofit corporation managed under the direction of, the board of directors.
665	(b) (i) The articles of incorporation may authorize one or more persons to exercise
666	some or all of the powers that would otherwise be exercised by the board of directors.
667	(ii) To the extent the articles of incorporation authorize a person other than the board of
668	directors to have the authority and perform a duty of the board of directors, the directors shall
669	be relieved to that extent from such authority and duty.
670	(3) The board of directors may be divided into classes, each with such respective rights
671	and duties as the articles of incorporation or bylaws may provide.
672	(4) The board of directors and the directors may be known by any other name
673	designated in the bylaws.
674	Section 13. Section 16-6a-807 is amended to read:
675	16-6a-807. Resignation of directors.
676	(1) A director may resign at any time by giving written notice of resignation to the
677	[nonprofit corporation] board of directors, the board's chair, or the nonprofit corporation's
678	secretary.

02-18-15 11:00 AM S.B. 218

(2) A resignation of a director is effective when the notice is received by the nonprofit corporation unless the notice specifies a later effective date.

- (3) A director who resigns may deliver to the division for filing a statement that the director resigns pursuant to Section 16-6a-1608.
- (4) The failure to attend or meet obligations shall be effective as a resignation at the time of the board of director's vote to confirm the failure if:
- (a) at the beginning of a director's term on the board, the bylaws provide that a director may be considered to have resigned for failing to:
 - (i) attend a specified number of board meetings; or
 - (ii) meet other specified obligations of directors; and
- (b) the failure to attend or meet obligations is confirmed by an affirmative vote of the board of directors.
 - Section 14. Section **16-6a-808** is amended to read:

16-6a-808. Removal of directors.

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- (1) Directors elected by voting members or directors may be removed as provided in Subsections (1)(a) through [(g)] (f).
- (a) The voting members may remove one or more directors elected by them with or without cause unless the bylaws provide that directors may be removed only for cause.
- (b) If a director is elected by a voting group, only that voting group may participate in the vote to remove that director.
 - (c) Unless otherwise provided in the bylaws, a director may be removed:
- (i) when the director is elected by the voting members, only if a majority of the voting members votes to remove the director; or
- (ii) when the director is elected by a voting group, only if a majority of the voting group votes to remove the director.
- (d) A director elected by voting members may be removed by the voting members only:
 - (i) at a meeting called for the purpose of removing that director; and
- 707 (ii) if the meeting notice states that the purpose, or one of the purposes, of the meeting removal of the director.
 - (e) An entire board of directors may be removed under Subsections (1)(a) through (d).

	S.B. 218 02-18-15 11:00 A
710	(f) (i) Except as provided in Subsection (1)(f)(ii), a director elected by the board of
711	directors may be removed with or without cause by the vote of a majority of the directors then
712	in office or such greater number as is set forth in the bylaws.
713	(ii) A director elected by the board of directors to fill the vacancy of a director elected
714	by the voting members may be removed without cause by the voting members but not the
715	board of directors.
716	[(g) Notwithstanding Subsections (1)(a) through (f), if provided in the bylaws, any
717	director no longer qualified to serve, under standards set forth in the bylaws, may be removed
718	by a vote of a majority of the directors then in office or such greater number as set forth in the
719	bylaws.]
720	[(h)] (g) A director who is removed pursuant to this section may deliver to the division
721	for filing a statement to that effect pursuant to Section 16-6a-1608.
722	(2) Unless otherwise provided in the bylaws:
723	(a) an appointed director may be removed without cause by the person appointing the
724	director;
725	(b) the person described in Subsection (2)(a) shall remove the director by giving
726	written notice of the removal to:
727	(i) the director; and
728	(ii) the nonprofit corporation; and
729	(c) unless the written notice described in Subsection (2)(b) specifies a future effective
730	date, a removal is effective when the notice is received by both:
731	(i) the director to be removed; and
732	(ii) the nonprofit corporation.
733	(3) A designated director, as provided in Subsection 16-6a-804(5), may be removed by
734	an amendment to the bylaws deleting or changing the designation.
735	(4) Removal of a director under this section is not affected by Subsection 16-6a-805(5)
736	Section 15. Section 16-6a-813 is amended to read:
737	16-6a-813. Action without meeting.

(1) Unless otherwise provided in the bylaws, any action required or permitted by this

chapter to be taken at a board of directors' meeting may be taken without a meeting if each and

every member of the board in writing either:

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/41	(a) votes for the action, or
742	(b) (i) (A) votes against the action; or
743	(B) abstains from voting; and
744	(ii) waives the right to demand that action not be taken without a meeting.
745	(2) Action is taken under this section only if the affirmative vote for the action equals
746	or exceeds the minimum number of votes that would be necessary to take the action at a
747	meeting at which all of the directors then in office were present and voted.
748	(3) (a) An action taken pursuant to this section may not be effective unless the
749	nonprofit corporation receives writings:
750	(i) describing the action taken;
751	(ii) otherwise satisfying the requirements of Subsection (1);
752	(iii) signed by all directors; and
753	(iv) not revoked pursuant to Subsection (4).
754	[(b) Unless otherwise provided by the bylaws, a writing described in Subsection (3)(a)
755	may be received by the nonprofit corporation by electronically transmitted facsimile or other
756	form of wire or wireless communication providing the nonprofit corporation with a complete
757	copy of the document, including a copy of the signature on the document.]
758	(b) (i) Unless otherwise provided by the bylaws, a director may deliver a written
759	consent under this section by an electronic transmission that provides the nonprofit corporation
760	with a complete copy of the written consent.
761	(ii) An electronic transmission consenting to an action under this section is considered
762	to be written, signed, and dated for purposes of this section if the electronic transmission is
763	delivered with information from which the corporation can determine:
764	(A) that the electronic transmission is transmitted by the director; and
765	(B) the date on which the electronic transmission is transmitted.
766	(iii) The date on which an electronic transmission is transmitted is considered the date
767	on which the consent is signed.
768	(c) A director's right to demand that action not be taken without a meeting shall be
769	considered to have been waived if the nonprofit corporation receives a writing satisfying the
770	requirements of Subsection (1) that has been signed by the director and not revoked pursuant to
771	Subsection (4).

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(d) Action taken pursuant to this section shall be effective when the last writing necessary to effect the action is received by the nonprofit corporation, unless the writings describing the action taken set forth a different effective date. (4) If the writing is received by the nonprofit corporation before the last writing necessary to effect the action is received by the nonprofit corporation, any director who has signed a writing pursuant to this section may revoke the writing by a writing signed and dated by the director: (a) describing the action; and (b) stating that the director's prior vote with respect to the writing is revoked. (5) Action taken pursuant to this section: (a) has the same effect as action taken at a meeting of directors; and (b) may be described as an action taken at a meeting of directors in any document. Section 16. Section 16-6a-814 is amended to read: 16-6a-814. Notice of meeting. (1) (a) A nonprofit corporation shall give to each director entitled to vote at an annual meeting notice of the annual meeting consistent with the nonprofit corporation's bylaws in a fair and reasonable manner. (b) Any notice that conforms to the requirements of Subsection (1)(c) is fair and reasonable, but other means of giving notice may also be fair and reasonable when all the circumstances are considered. (c) Notice under Subsection (1)(a) is fair and reasonable if the nonprofit corporation notifies each director of the place, date, and time of the annual meeting: (i) no fewer than 10 days before the meeting, unless otherwise provided by the bylaws; (ii) if notice is mailed by other than first-class or registered mail, no fewer than 30 days, nor more than 60 days before the meeting date; and (iii) if notice is given: (A) by newspaper as provided in Subsection 16-6a-103(2)(b)(i)(A), by publication three separate times with:

(I) the first of the publications no more than 60 days before the meeting date; and

(II) the last of the publications no fewer than 10 days before the meeting date; and

(B) (I) as provided in Subsection 16-6a-103(2)(b)(i)(B); and

803	(II) for 60 days before the meeting date.
804	(2) Unless otherwise provided in this chapter or in the bylaws, regular meetings of the
805	board of directors may be held without notice of the date, time, place, or purpose of the
806	meeting.
807	(3) (a) Unless the bylaws provide for a longer or shorter period, special meetings of the
808	board of directors shall be preceded by at least two days notice of the date, time, and place of
809	the meeting.
810	(b) The notice required by Subsection (3)(a) need not describe the purpose of the
811	special meeting unless otherwise required by this chapter or the bylaws.
812	Section 17. Section 16-6a-815 is amended to read:
813	16-6a-815. Waiver of notice.
814	(1) (a) A director may waive any notice of a meeting before or after the time and date
815	of the meeting stated in the notice.
816	(b) Except as provided by Subsection (2), the waiver shall <u>be</u> :
817	(i) [be] in writing;
818	(ii) signed by the director entitled to the notice; and
819	(iii) [be] delivered to the nonprofit corporation for filing with the corporate records.
820	(c) A waiver satisfies the requirements of Subsection (1)(b) if communicated by
821	electronic transmission.
822	[(e)] (d) The delivery and filing required by Subsection (1)(b) may not be conditions of
823	the effectiveness of the waiver.
824	(2) A director's attendance at or participation in a meeting waives any required notice
825	to that director of the meeting unless:
826	(a) (i) at the beginning of the meeting or promptly upon the director's later arrival, the
827	director objects to holding the meeting or transacting business at the meeting because of lack of
828	notice or defective notice; and
829	(ii) after objecting, the director does not vote for or assent to action taken at the
830	meeting; or
831	(b) if special notice was required of a particular purpose pursuant to Subsection
832	16-6a-814(3):
833	(i) the director objects to transacting business with respect to the purpose for which the

834	special notice was required; and
835	(ii) after objecting, the director does not vote for or assent to action taken at the
836	meeting with respect to the purpose.
837	Section 18. Section 16-6a-817 is amended to read:
838	16-6a-817. Committees of the board.
839	(1) Unless otherwise provided in the bylaws [and subject to the provisions of Section
840	16-6a-906], the board of directors may:
841	(a) create one or more committees of the board; and
842	(b) appoint two or more directors to serve on the committees created under Subsection
843	(1)(a).
844	(2) Unless otherwise provided in the bylaws, the creation of a committee of the board
845	and appointment of directors to it shall be approved by the greater of:
846	(a) a majority of all the directors in office when the action is taken; or
847	(b) the number of directors required by the bylaws to take action under Section
848	16-6a-816.
849	(3) Unless otherwise provided in the bylaws, a committee of the board and the
850	members of the committee are subject to Sections 16-6a-812 through 16-6a-816, which govern:
851	(a) meetings;
852	(b) action without meeting;
853	(c) notice;
854	(d) waiver of notice; and
855	(e) quorum and voting requirements.
856	[(4) To the extent specified in the bylaws or by the board of directors, and subject to
857	Subsection (6)(b), each committee of the board shall have the authority of the board of
858	directors under Section 16-6a-801.]
859	(4) To the extent stated in the bylaws or by the board of directors, each committee of
860	the board shall have the authority of the board of directors as described in Section 16-6a-801,
861	except that a committee of the board may not:
862	(a) authorize distributions;
863	(b) approve or propose to members any action required by this chapter to be approved
864	by members;

865	(c) elect, appoint, or remove a director;
866	(d) amend articles of incorporation;
867	(e) adopt, amend, or repeal bylaws;
868	(f) approve a plan of conversion or a plan of merger not requiring member approval; or
869	(g) approve a sale, lease, exchange, or other disposition of all, or substantially all, of its
870	property, with or without goodwill, otherwise than in the usual and regular course of business.
871	(5) The creation of, delegation of authority to, or action by a committee does not alone
872	constitute compliance by a director with the standards of conduct described in Section
873	16-6a-822.
874	(6) (a) Subject to Subsection (6)(b), nothing in this part shall prohibit or restrict a
875	nonprofit corporation from establishing in its bylaws or by action of the board of directors or
876	otherwise one or more committees, advisory boards, auxiliaries, or other bodies of any kind:
877	(i) having the members and rules of procedure as the bylaws or board of directors may
878	provide;
879	(ii) established to provide the advice, service, and assistance to the nonprofit
880	corporation as may be specified in the bylaws or by the board of directors; and
881	(iii) established to carry out the duties and responsibilities for the nonprofit
882	corporation, as may be specified in the bylaws or by the board of directors.
883	(b) Notwithstanding Subsection (6)(a), if any committee or other body established
884	under Subsection (6)(a) has one or more members who are entitled to vote on committee
885	matters and who are not then also directors, the committee or other body may not exercise any
886	power or authority reserved to the board of directors, in this chapter or in the bylaws.
887	Section 19. Section 16-6a-825 is amended to read:
888	16-6a-825. Conflicting interest transaction.
889	(1) As used in this section[, "conflicting]:
890	(a) "Conflicting interest transaction" means a contract, transaction, or other financial
891	relationship between a nonprofit corporation and:
892	[(a)] (i) a director of the nonprofit corporation;
893	[(b)] (ii) a party related to a director; or
894	[(c)] (iii) an entity in which a director of the nonprofit corporation:
895	$\left[\frac{(i)}{A}\right]$ is a director or officer; or

896	$\left[\frac{(H)}{(H)}\right]$ has a financial interest.
897	(b) "Natural person related to a director or officer" means one of the following in
898	regards to a director or officer:
899	(i) a spouse;
900	(ii) a descendent;
901	(iii) an ancestor;
902	(iv) a sibling;
903	(v) the spouse or descendent of a sibling; or
904	(vi) the spouse of a descendent.
905	(2) Except as otherwise provided in this section, upon the finding of a conflicting
906	interest transaction, in an action properly brought before it, a court may:
907	(a) rule that the conflicting interest transaction is void or voidable;
908	(b) enjoin or set aside the conflict of interest transaction; or
909	(c) determine that the conflicting interest transaction gives rise to an award of damages
910	or other sanctions.
911	(3) (a) A loan may not be made <u>directly or indirectly</u> by a nonprofit corporation to:
912	(i) a director or officer of the nonprofit corporation; [or]
913	(ii) a natural person related to a director or officer[-]; or
914	(iii) an entity in which a director, officer, or natural person related to a director or
915	officer has any ownership, management right, or financial interest.
916	(b) A director or officer who assents to or participates in the making of a loan in
917	violation of Subsection (3)(a) shall be liable to the nonprofit corporation for the amount of the
918	loan until the repayment of the loan.
919	(4) (a) If the conditions of Subsection (4)(b) are met, a conflicting interest transaction
920	may not be void or voidable or be enjoined, set aside, or give rise to an award of damages or
921	other sanctions in a proceeding by a member or by or in the right of the nonprofit corporation,
922	solely because:
923	(i) the conflicting interest transaction involves:
924	(A) a director of the nonprofit corporation;
925	(B) a party related to a director; or
926	(C) an entity in which a director of the nonprofit corporation is a director or officer or

927 has a financial interest;

- (ii) the director is present at or participates in the meeting of the nonprofit corporation's board of directors or of the committee of the board of directors that authorizes, approves, or ratifies the conflicting interest transaction; or
 - (iii) the director's vote is counted for the purpose described in Subsection (4)(a)(ii).
- (b) Subsection (4)(a) applies if:
- (i) (A) the material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the board of directors or the committee; and
- (B) the board of directors or committee in good faith authorizes, approves, or ratifies the conflicting interest transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors are less than a quorum;
- (ii) (A) the material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the members entitled to vote on the conflicting interest transaction; and
- (B) the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the members entitled to vote thereon;
- (iii) the conflicting interest transaction is consistent with a provision in the articles of incorporation or bylaws which:
- (A) commits the nonprofit corporation to support one or more other nonprofit corporations, charitable trusts, or charitable entities; or
- (B) authorizes one or more directors to exercise discretion in making gifts or contributions to one or more other nonprofit corporations, charitable trusts, or charitable entities; or
 - (iv) the conflicting interest transaction is fair as to the nonprofit corporation.
- (5) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee that authorizes, approves, or ratifies the conflicting interest transaction.
- (6) For purposes of this section, "a natural person related to a director or officer" means any natural person whose familial, financial, professional, or employment relationship with the director or officer would, under the circumstances, reasonably be expected to exert an influence

958 on the director's or officer's judgment when voting on a transaction. 959 Section 20. Section 16-6a-905 is amended to read: 960 16-6a-905. Court-ordered indemnification of directors. 961 (1) Unless a nonprofit corporation's [bylaws] articles of incorporation provide otherwise, a director of the nonprofit corporation who is or was a party to a proceeding may 962 963 apply for indemnification to: 964 (a) the court conducting the proceeding; or 965 (b) another court of competent jurisdiction. 966 (2) On receipt of an application described in Subsection (1), the court, after giving any 967 notice the court considers necessary, may order indemnification in the following manner: 968 (a) if the court determines that the director is entitled to mandatory indemnification 969 under Section 16-6a-903, the court shall: 970 (i) order indemnification; and 971 (ii) order the nonprofit corporation to pay the director's reasonable expenses incurred to 972 obtain court-ordered indemnification; and 973 (b) if the court determines that the director is fairly and reasonably entitled to 974 indemnification in view of all the relevant circumstances, whether or not the director met the 975 applicable standard of conduct set forth in Section 16-6a-902 or was adjudged liable as 976 described in Subsection 16-6a-902(4), the court may order indemnification as the court 977 determines to be proper, except that the indemnification with respect to any proceeding in 978 which liability has been adjudged in the circumstances described in Subsection 16-6a-902(4) is 979 limited to reasonable expenses incurred. 980 Section 21. Section 16-6a-1002 is amended to read: 981 16-6a-1002. Amendment of articles of incorporation by board of directors or 982 incorporators. 983 (1) Unless otherwise provided in the articles of incorporation, the board of directors 984 may adopt, without member approval, one or more amendments to the articles of incorporation 985 to: 986 (a) delete the names and addresses of the initial directors;

- 32 -

(b) change the information required by Subsection 16-17-203(1), but an amendment is

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not required to change the information:

989	(c) change the corporate name by:
990	(i) substituting the word "corporation," "incorporated," "company," "limited," or an
991	abbreviation of any such word for a similar word or abbreviation in the name; or
992	(ii) adding, deleting, or changing a geographical attribution; or
993	(d) make any other change expressly permitted by this chapter to be made without
994	member action.
995	(2) The board of directors may adopt, without member action, one or more
996	amendments to the articles of incorporation to change the corporate name, if necessary, in
997	connection with the reinstatement of a nonprofit corporation pursuant to Section 16-6a-1412.
998	(3) (a) Subject to any approval required pursuant to Section 16-6a-1013, if a nonprofit
999	corporation has no members, no members entitled to vote on amendments, or no members yet
1000	admitted to membership, one or more amendments to the nonprofit corporation's articles of
1001	incorporation may be adopted by:
1002	(i) its incorporators until directors have been chosen; or
1003	(ii) its directors after the directors have been chosen.
1004	(b) A nonprofit corporation described in Subsection (3)(a) shall provide notice of any
1005	meeting at which an amendment is to be voted upon.
1006	(c) The notice required by Subsection (3)(b) shall:
1007	(i) be in accordance with Section 16-6a-814;
1008	(ii) state that the purpose, or one of the purposes, of the meeting is to consider a
1009	proposed amendment to the articles of incorporation; and
1010	(iii) (A) contain or be accompanied by a copy or summary of the amendment; or
1011	(B) state the general nature of the amendment.
1012	(d) An amendment described in Subsection (3)(a) shall be approved:
1013	(i) by a majority of the incorporators, until directors have been chosen; or
1014	(ii) after directors are chosen by a majority of the directors in office at the time the
1015	amendment is adopted or such greater number as is set forth in the bylaws.
1016	Section 22. Section 16-6a-1003 is amended to read:
1017	16-6a-1003. Amendment of articles of incorporation by board of directors and
1018	members.
1019	(1) The board of directors or the members representing at least 10% of all of the votes

1020	entitled to be cast on the amendment may propose an amendment to the articles of
1021	incorporation for submission to the members unless a different vote or voting class is required
1022	by:
1023	(a) this chapter;
1024	(b) the articles of incorporation;
1025	(c) the bylaws; or
1026	(d) the members or the board of directors acting pursuant to Subsection (5).
1027	(2) For an amendment to the articles of incorporation to be adopted pursuant to
1028	Subsection (1):
1029	(a) the board of directors shall recommend the amendment to the members unless:
1030	(i) the amendment is proposed by members; or
1031	(ii) the board of directors:
1032	(A) determines that because of conflict of interest or other special circumstances it
1033	should make no recommendation; and
1034	(B) communicates the basis for its determination to the members with the amendment;
1035	and
1036	(b) the members entitled to vote on the amendment shall approve the amendment as
1037	provided in Subsection (5).
1038	(3) The proposing board of directors or the proposing members may condition the
1039	effectiveness of the amendment on any basis.
1040	(4) (a) The nonprofit corporation shall give notice, in accordance with Section
1041	16-6a-704, to each member entitled to vote on the amendment of the members' meeting at
1042	which the amendment will be voted upon.
1043	(b) The notice required by Subsection (4)(a) shall:
1044	(i) state that the purpose, or one of the purposes, of the meeting is to consider the
1045	amendment; and
1046	(ii) (A) contain or be accompanied by a copy or a summary of the amendment; or
1047	(B) shall state the general nature of the amendment.
1048	(5) The amendment shall be approved by the votes required by Sections 16-6a-714 and
1049	16-6a-715 by every voting group entitled to vote on the amendment unless a greater vote is
1050	required by:

1051	(a) this chapter;
1052	(b) the articles of incorporation;
1053	(c) bylaws adopted by the members; or
1054	(d) the proposing board of directors or the proposing members acting pursuant to
1055	Subsection (3).
1056	(6) If the board of directors or the members seek to have the amendment approved by
1057	the members by written consent or by written ballot, the material soliciting the approval shall
1058	contain or be accompanied by a copy or summary of the amendment.
1059	Section 23. Section 16-6a-1006 is amended to read:
1060	16-6a-1006. Restated articles of incorporation.
1061	(1) (a) The board of directors may restate the articles of incorporation at any time with
1062	or without member action.
1063	(b) The incorporators of a nonprofit corporation may restate the articles of incorporation
1064	at any time if the nonprofit corporation:
1065	(i) has no members; and
1066	(ii) no directors have been chosen.
1067	(2) (a) The restatement may include one or more amendments to the articles of
1068	incorporation.
1069	(b) Notwithstanding Subsection (1), if the restatement includes an amendment
1070	requiring member approval, it shall be adopted as provided in Section 16-6a-1003.
1071	(3) (a) If the board of directors submits a restatement for member action, the nonprofit
1072	corporation shall give notice, in accordance with Section 16-6a-704, to each member entitled to
1073	vote on the restatement of the members' meeting at which the restatement will be voted upon.
1074	(b) The notice required by Subsection (3)(a) shall:
1075	(i) state that the purpose, or one of the purposes, of the meeting is to consider the
1076	restatement; and
1077	(ii) contain or be accompanied by a copy of the restatement that identifies any
1078	amendment or other change it would make in the articles of incorporation.
1079	(4) A nonprofit corporation restating its articles of incorporation shall deliver to the
1080	division for filing articles of restatement setting forth:
1081	(a) the name of the nonprofit corporation;

1082	(b) the text of the restated articles of incorporation;
1083	(c) if the restatement contains an amendment to the articles of incorporation that was
1084	adopted by the members, the information required by Subsection 16-6a-1005(5); [and]
1085	(d) if the restatement was adopted by the board of directors or incorporators without
1086	member action, a statement to that effect and that member action was not required[-]; and
1087	(e) the restatement does not need to contain the name or address of the incorporator or
1088	incorporators that were included in the articles of incorporation when originally filed.
1089	(5) Upon filing by the division or at any later effective date determined pursuant to
1090	Section 16-6a-108, restated articles of incorporation supersede the original articles of
1091	incorporation and all prior amendments to the original articles of incorporation.
1092	Section 24. Section 16-6a-1008 is amended to read:
1093	16-6a-1008. Conversion to a business corporation.
1094	(1) (a) A domestic nonprofit corporation may convert to a corporation subject to [Title
1095	16,] Chapter 10a, Utah Revised Business Corporation Act, by filing an amendment of its
1096	articles of incorporation with the division pursuant to this section.
1097	(b) The day on which a nonprofit domestic corporation files an amendment under this
1098	section, the domestic nonprofit corporation becomes a corporation subject to [Title 16,]
1099	Chapter 10a, Utah Revised Business Corporation Act, except that, notwithstanding Section
1100	16-10a-203, the existence of the nonprofit corporation is considered to commence on the day
1101	on which the converting corporation:
1102	(i) commenced its existence under this chapter; or
1103	(ii) otherwise was created, formed, incorporated, or came into being.
1104	(2) The amendment of the articles of incorporation to convert to a corporation shall:
1105	(a) revise the statement of purpose;
1106	(b) delete:
1107	(i) the authorization for members; and
1108	(ii) any other provisions relating to memberships;
1109	(c) authorize shares:
1110	(i) stating the number of shares; and
1111	(ii) including the information required by Section 16-10a-601 with respect to each class
1112	of shares the corporation is to be authorized to issue;

S.B. 218

1113	(d) make such other changes as may be necessary or desired; and
1114	(e) if the corporation has any members, provide for:
1115	(i) the cancellation of the memberships; or
1116	(ii) the conversion of the memberships to shares of the corporation.
1117	(3) If the nonprofit corporation has any voting members, an amendment to convert to a
1118	corporation shall be approved by all of the voting members regardless of limitations or
1119	restrictions on the voting rights of the members.
1120	(4) If an amendment to the articles of incorporation filed pursuant to this section is
1121	included in a merger agreement, this section applies, except that any provisions for cancellation
1122	or conversion of memberships:
1123	(a) shall be in the merger agreement; and
1124	(b) may not be in the amendment of the articles of incorporation.
1125	(5) A conversion under this section may not result in a violation, directly or indirectly,
1126	of:
1127	(a) Section 16-6a-1301; or
1128	(b) any other provision of this chapter.
1129	(6) The conversion of a nonprofit corporation into a corporation does not affect:
1130	(a) an obligation or liability of the converting nonprofit corporation incurred before its
1131	conversion to a corporation; or
1132	(b) the personal liability of any person incurred before the conversion.
1133	(7) (a) (i) When a conversion is effective under this section, for purposes of the laws of
1134	this state, the things listed in Subsection (7)(a)(ii):
1135	(A) vest in the corporation to which the nonprofit corporation converts;
1136	(B) are the property of the corporation; and
1137	(C) are not considered transferred by the converting nonprofit corporation to the
1138	corporation by operation of this Subsection (7)(a).
1139	(ii) This Subsection (7)(a) applies to the following of the converting nonprofit
1140	corporation:
1141	(A) its rights, privileges, and powers;
1142	(B) its interests in property, whether real, personal, or mixed;
1143	(C) debts due to the converting nonprofit corporation:

1144	(D) the debts, liabilities, and duties of the converting nonprofit corporation;
1145	(E) the rights and obligations under contract of the converting nonprofit corporation;
1146	and
1147	(F) other things and causes of action belonging to the converting nonprofit corporation.
1148	(b) The title to any real property vested by deed or otherwise in a nonprofit corporation
1149	converting to a corporation does not revert and is not in any way impaired by reason of this
1150	chapter or of the conversion.
1151	(c) A right of a creditor or a lien on property of a converting nonprofit corporation that
1152	is described in Subsection (6)(a) or (b) is preserved unimpaired.
1153	(d) A debt, liability, or duty of a converting nonprofit corporation:
1154	(i) remains attached to the corporation to which the nonprofit corporation converts; and
1155	(ii) may be enforced against the corporation to the same extent as if the debts,
1156	liabilities, and duties had been incurred or contracted by the corporation in its capacity as a
1157	corporation.
1158	(e) A converted nonprofit corporation upon conversion to a corporation pursuant to this
1159	section is considered the same entity as the corporation.
1160	(f) In connection with a conversion of a nonprofit corporation to a corporation under
1161	this section, the interests or rights in the nonprofit corporation which is to be converted may be
1162	exchanged or converted into one or more of the following:
1163	(i) cash, property, interests, or rights in the corporation to which it is converted; or
1164	(ii) cash, property or interests in, or rights in another entity.
1165	(g) Unless otherwise agreed:
1166	(i) a converting nonprofit corporation is not required solely as a result of the
1167	conversion to:
1168	(A) wind up its affairs;
1169	(B) pay its liabilities; or
1170	(C) distribute its assets; and
1171	(ii) a conversion is not considered to constitute a dissolution of the nonprofit
1172	corporation, but constitutes a continuation of the existence of the nonprofit corporation in the
1173	form of a corporation.
1174	Section 25. Section 16-6a-1302 is amended to read:

1175	16-6a-1302. Authorized distributions.
1176	(1) A nonprofit corporation may:
1177	(a) make distributions or distribute the nonprofit corporation's assets to a member:
1178	(i) that is a domestic or foreign nonprofit corporation;
1179	(ii) of a mutual benefit corporation, not inconsistent with its bylaws; or
1180	(iii) that is a governmental entity;
1181	(b) pay compensation in a reasonable amount to its members, directors, or officers for
1182	services rendered;
1183	(c) if a cooperative nonprofit corporation, make distributions consistent with its
1184	purposes; and
1185	(d) confer benefits upon its members in conformity with its purposes.
1186	(2) A nonprofit corporation may make distributions upon dissolution as follows:
1187	(a) to a member that is a domestic or foreign nonprofit corporation;
1188	(b) to its members if it is a mutual benefit corporation;
1189	(c) to another nonprofit corporation, including a nonprofit corporation organized to
1190	receive the assets of and function in place of the dissolved nonprofit corporation; and
1191	(d) otherwise in conformity [to this chapter] with Part 14, Dissolution.
1192	[(3) A mutual benefit corporation may purchase a member's membership in conformity
1193	with Section 16-6a-610 if, after the purchase is completed:
1194	[(a) the mutual benefit corporation would be able to pay its debts as they become due
1195	in the usual course of its activities; and]
1196	[(b) the mutual benefit corporation's total assets would at least equal the sum of its total
1197	liabilities.]
1198	[(4)] (3) Authorized distributions by a dissolved nonprofit corporation may be made by
1199	authorized officers or directors, including those elected, hired, or otherwise selected after
1200	dissolution if the election, hiring, or other selection after dissolution is not inconsistent with the
1201	articles of incorporation and bylaws existing at the time of dissolution.
1202	Section 26. Section 16-6a-1405 is amended to read:
1203	16-6a-1405. Effect of dissolution.
1204	(1) A dissolved nonprofit corporation continues its corporate existence but may not
1205	carry on any activities except as is appropriate to wind up and liquidate its affairs, including:

1206	(a) collecting its assets;
1207	(b) returning, transferring, or conveying assets held by the nonprofit corporation upon a
1208	condition requiring return, transfer, or conveyance, which condition occurs by reason of the
1209	dissolution, in accordance with the condition;
1210	(c) transferring, subject to any contractual or legal requirements, its assets as provided
1211	in or authorized by its articles of incorporation or bylaws;
1212	(d) discharging or making provision for discharging its liabilities; and
1213	(e) doing every other act necessary to wind up and liquidate its assets and affairs.
1214	[(2) Notwithstanding any other provision of this chapter, the distribution of assets of a
1215	nonprofit corporation upon its dissolution shall be consistent with all applicable requirements
1216	and limitations set forth in the Internal Revenue Code.]
1217	[(3)] (2) Dissolution of a nonprofit corporation does not:
1218	(a) transfer title to the nonprofit corporation's property including title to water rights,
1219	water conveyance facilities, or other assets of a nonprofit corporation organized to divert or
1220	distribute water to its members;
1221	(b) subject its directors or officers to standards of conduct different from those
1222	prescribed in this chapter;
1223	(c) change quorum or voting requirements for its board of directors or members;
1224	(d) change provisions for selection, resignation, or removal of its directors or officers,
1225	or both;
1226	(e) change provisions for amending its bylaws or its articles of incorporation;
1227	(f) prevent commencement of a proceeding by or against the nonprofit corporation in
1228	its corporate name; or
1229	(g) abate or suspend a proceeding pending by or against the nonprofit corporation on
1230	the effective date of dissolution.
1231	[(4)] (3) Nothing in this section may be applied in a manner inconsistent with a court's
1232	power of judicial dissolution exercised in accordance with Section 16-6a-1414 or 16-6a-1415.
1233	Section 27. Section 42-2-6.6 is amended to read:
1234	42-2-6.6. Assumed name.
1235	(1) The assumed name:
1236	(a) may not contain any word or phrase that indicates or implies that the business is

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name applied for if:

on the division's records; or

1237 organized for any purpose other than one or more of the purposes contained in its application; 1238 (b) shall be distinguishable from any registered name or trademark of record in the 1239 offices of the Division of Corporations and Commercial Code, as defined in Subsection 1240 16-10a-401(5), except as authorized by the Division of Corporations and Commercial Code 1241 pursuant to Subsection (2); 1242 (c) without the written consent of the United States Olympic Committee, may not contain the words: 1243 1244 (i) "Olympic"; 1245 (ii) "Olympiad"; or 1246 (iii) "Citius Altius Fortius"; 1247 (d) without the written consent of the Division of Consumer Protection issued in 1248 accordance with Section 13-34-114, may not contain the words: 1249 (i) "university": (ii) "college"; or 1250 1251 (iii) "institute" or "institution"; and 1252 (e) an assumed name authorized for use in this state on or after May 1, 2000, may not contain the words: 1253 1254 (i) "incorporated"; 1255 (ii) "inc."; or (iii) a variation of "incorporated" or "inc." 1256 1257 (2) Notwithstanding Subsection (1)(e), an assumed name may contain a word listed in Subsection (1)(e) if the Division of Corporations and Commercial Code authorizes the use of 1258 1259 the name by a corporation as defined in: (a) Subsection 16-6a-102[(25)](26); 1260 (b) Subsection 16-6a-102[(34)](35); 1261 1262 (c) Subsection 16-10a-102(11); or (d) Subsection 16-10a-102(20). 1263 1264 (3) The Division of Corporations and Commercial Code shall authorize the use of the

- 41 -

(a) the name is distinguishable from one or more of the names and trademarks that are

(b) the applicant delivers to the division a certified copy of the final judgment of a court of competent jurisdiction establishing the applicant's right to use the name applied for in this state.

- (4) The assumed name, for purposes of recordation, shall be either translated into English or transliterated into letters of the English alphabet if it is not in English.
- (5) The Division of Corporations and Commercial Code may not approve an application for an assumed name to any person violating this section.
- (6) The director of the Division of Corporations and Commercial Code shall have the power and authority reasonably necessary to interpret and efficiently administer this section and to perform the duties imposed on the division by this section.
- (7) A name that implies by any word in the name that it is an agency of the state or of any of its political subdivisions, if it is not actually such a legally established agency, may not be approved for filing by the Division of Corporations and Commercial Code.
 - (8) Section 16-10a-403 applies to this chapter.
- (9) (a) The requirements of Subsection (1)(d) do not apply to a person who filed a certificate of assumed and of true name with the Division of Corporations and Commercial Code on or before May 4, 1998, until December 31, 1998.
- (b) On or after January 1, 1999, any person who carries on, conducts, or transacts business in this state under an assumed name shall comply with the requirements of Subsection (1)(d).

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Office of Legislative Research and General Counsel