Selected 2007 Developments in Corporate Law

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***Note:** The following summary is limited to 2007 California legislation, selected California regulatory developments, and selected California and Delaware court decisions. It does not include discussion of recent developments in federal securities law or regulation, or Delaware or other state corporate law, all of which may be highly relevant in California corporate law practice.*

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State Legislation Adopted in 2007

Senate Bill No. 998 (2007-2008 Reg. Sess.), Commissioner of Corporations: Business Regulation

Chaptered July 20, 2007; Effective January 1, 2008

An act to amend sections 1502, 2117, 6210, 8210, 25404, 28711, 31119, and 31155 and add sections 25530.1, 28716, 29105, 29538, 31204, and 31400.1 to the Corporations Code. It also amends sections 22050, 22105, 22109, 22112, 50123, and 50205 and adds sections 12332, 12404, 17703, 22169, 22170, 23011.5, 23015, 30218, 30609, and 50512 to the Financial Code.

Senate Bill No. 998 (2007-2008 Reg. Sess.) was adopted to address the difficulty of personally serving an agent of a corporation at a post office box address while still permitting a corporation to use a post office box address for mailing purposes.[1] Effective as of January 1, 2008, this law brings the following three changes to corporations' filing requirements with the Secretary of State:

1. All domestic (California) stock and nonprofit corporations and all foreign (out-of-state or country) corporations must provide a street address when designating an individual as agent for service of process. A post office box address is no longer acceptable.
2. If the mailing address is different from the street address of the corporation's principal executive office, all domestic stock and foreign corporations must provide their mailing address on the Statement of Information.
3. If the mailing address is different from the street address of the corporation's principal office in California or if the corporation has no principal office address in this state, all domestic nonprofit corporations must provide their mailing address on the Statement of Information.
4. The new Statement of Information forms are posted to the Secretary of State's Web site at http://www.sos.ca.gov/business/bpd_forms.htm.

State Regulatory Developments

Corporate Securities Law of 1968

Effective July 9, 2007, the California Commissioner of Corporations ("Commissioner") amended the compensatory benefit plan regulations under the California Corporate Securities Law of 1968 ("California Securities Law") to bring California's provisions in line with the regulatory approach taken by other states and the federal securities laws.[2] These amendments are intended to provide greater flexibility to issuers by liberalizing the requirements under the California Securities Law. Following is a brief overview of what the amendments address:

1. The definition of the persons eligible to receive awards is revised to include officers, general partners, trustees (where a business trust is issued), advisors, and insurance agents who are employees. Previously, only employees, directors, managers, and consultants were eligible.

2. The 30% limitation on the total number of securities issuable under any bonus or similar plan or agreement is eliminated if the plan complies with rule 701 of the Securities Act of 1933, as amended ("Rule 701").
3. The restrictions on minimum exercise prices for options and minimum purchase prices for securities under compensatory benefit plans are eliminated.
4. Transferability of the options is revised to permit transfer to a revocable trust in addition to transfer by will.
5. The requirement that the options vest at a minimum rate of 20% per year over five years is eliminated.
6. The right to exercise in the event of termination of employment is clarified to provide that such right continues until the earlier expiration date or as previously provided by the rules—unless termination was for cause, at least six months from the date of termination if the termination was caused by death or disability, or at least 30 days from the date of termination if termination was caused by other than death or disability.
7. The rules now provide that security holder consent be obtained within the later of (a) 12 months of adopting the plan or the date the agreement is entered into or (b) 12 months of the granting of any option or issuance of any security under the plan or agreement in California. In addition, foreign private issuers are permitted to issue options or stock under plans to recipients in California without security holder consent so long as the total number of recipients does not exceed 35 under all plans and agreements.
8. The restrictions on repurchase rights for plans that use the exemption under section 25102(o) are removed, but such restrictions are retained for plans that are submitted to the California Corporations Commission for qualification.
9. The requirement to provide participants in compensatory benefit plans or agreements with financial statements at least annually is eliminated for plans that comply with Rule 701.10.

California Department of Corporations

- On February 5, 2007, the Commissioner issued Release No. 109-C (Revised) regarding Notice Filings under the National Securities Markets Improvement Act of 1996 and conforming amendments to the Corporate Securities Law of 1968.[3]
- On April 9, 2007, the Commissioner adopted changes to sections 260.230, 260.231, 260.236.1, 260.241.4, and 260.242 of Title 10 of the California Code of Regulations relating to investment advisers and investment adviser representatives. The adopted rules clarify that all applications, reports, and other documents must be filed electronically through the Investment Adviser Registration Depository in California, and they remove references to other filing methods, as required by Assembly Bill No. 3070 (2007-2008 Reg. Sess.) (Chapter 461, Statutes of 2004). The rules were filed with the Secretary of State on March 6, 2007 and became effective on April 5, 2007.[4]
- On August 9, 2007, the Commissioner issued an Order to confirm that securities listed on the NASDAQ Global Market[5] are exempted from securities qualification.[5]
- On December 11, 2007, the Commissioner extended the time period for the public to comment on proposed regulations amending the licensing exemption for certain investment advisers.[6] The Commissioner proposes to amend section 260.204.9 of Title 10 of the California Code of Regulations relating to an exemption from licensing for certain investment advisers with fewer than 15 clients and more than $25 million in assets under management.

Recent Delaware and California Case Law Developments

Litigation Involving "Going Private" Transactions

In re The Topps Company Shareholders Litigation[7] involved a merger proposed by a group of private investors from The Tornante Company, LLC, a private equity firm controlled by Michael Eisner and Madison Dearborn Capital Partners, LLC. These private equity investors agreed to acquire Topps for $9.75 per share. The merger agreement included a go-shop provision that allowed Topps to solicit other bids for a period of 40 days after the execution of the merger agreement. By the end of the go-shop period, The Upper Deck Company, a competing bidder, proposed to acquire Topps for $10.75 per share. Topps' board of directors did not accurately disclose the seriousness of the offer made by Upper Deck, and Topps required that Upper Deck sign a standstill agreement prohibiting Upper Deck "from making public any information about its discussions with Topps or proceeding with a tender offer for Topps shares without permission from the Topps board."[8] The Delaware Chancery Court preliminarily enjoined a stockholder vote on the proposed merger between Topps, Tornante, and Madison Dearborn because the Topps board had failed to make adequate disclosures to its stockholders regarding the terms of the merger and had prevented a competing bidder from communicating its offer to the stockholders of

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their clients are willing to try a class action in an arbitration setting or would prefer to stay in court, and then they will have to draft the contract accordingly. In this case, the contract provided that if any part of the arbitration clause was held unenforceable, then the entire arbitration clause would not be enforceable. Thus, the eventual outcome here is that the class action will be tried in court. Defendant did argue that most corporations would not want to arbitrate class actions and would prefer to go to court, and therefore the court's ruling would reduce the efficiency and expeditiousness of arbitration in general. The court disagreed, finding no basis for defendant's assertion. It felt that a class arbitration proceeding is simpler, cheaper, and faster for both consumers and defendant company, particularly when one considers the enormous administrative costs and attorney fees that a company faces in defending an extremely large number of individual claims. Furthermore, because the use of class proceedings would enable far greater numbers of individuals to take part in and benefit from arbitration, class arbitrations further the FAA's purpose in encouraging alternate dispute resolution. ■

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Finally, on behalf of the Section, I wish to thank the Editorial Board of the *Business Law News*. They are all working lawyers who volunteer their time and their effort to produce this *Annual Review* as well as four quarterly issues each year. A significant part of the credit for this excellent issue goes to them, ably led by Editor-in-Chief Jim Menton.

I hope you enjoy this year's *Annual Review*. I myself have already devoured three articles and have several to go before I put it away. ■

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Topps by means of a standstill agreement. The court concluded that the preliminary injunction would be in effect until the Topps board disclosed additional material facts not contained in Topps' proxy statement (including facts regarding Eisner's assurances that he would retain existing management after the merger), and until "Upper Deck is released from the standstill for purposes of: (a) publicly commenting on its negotiations with Topps; and (b) making a non-coercive tender offer on conditions as favorable or more favorable than those it has offered to the Topps board."[9] The court stated that "the injunction is warranted to ensure that the Topps stockholders are not irreparably injured by the loss of an opportunity to make an informed decision and to avail themselves of a higher-priced offer that they might find more attractive."[10]

In re Lear Corporation Shareholders Litigation[11] involved a proposed going private transaction of Lear Corporation, a Fortune 200 corporation whose shares trade on the New York Stock Exchange. In January 2007, Lear's CEO met with Carl Icahn to discuss Icahn's possible acquisition of Lear. The Lear board of directors formed a special committee, which allowed the CEO to negotiate the merger deal with Icahn. After the CEO's negotiations with Icahn, Lear's board approved a merger agreement to be entered into with an entity affiliated with Icahn. The merger agreement included a 45-day, go-shop period during which Lear could actively solicit interest from third parties, a fiduciary out that permitted Lear's board of directors to accept an unsolicited superior third-party bid after the go-shop period ended, and a termination fee of approximately $100 million.[12] The Delaware Chancery Court issued a limited injunction delaying a stockholder vote on the merger with Icahn's entity because the proxy statement did not "disclose that shortly before Icahn expressed an interest in making a going private offer, the CEO had asked the Lear board to change his employment arrangements to allow him to cash in his retirement benefits while continuing to run the company."[13] The court found that because the merger terms were primarily negotiated between Lear's CEO and Icahn, the proxy statement should have disclosed the CEO's possible financial incentives in the completion of such a transaction. The court stated:

> [B]ecause the CEO might rationally have expected a going private transaction to provide him with a unique means to achieve his personal objectives, and because the merger with Icahn in fact secured for the CEO the

> joint benefits of immediate liquidity and continued employment that he sought just before negotiating the merger, the Lear stockholders are entitled to know that the CEO harbored material economic motivations that differed from their own that could have influenced his negotiating posture with Icahn. Given that the special committee delegated to the CEO the sole authority to conduct the merger negotiations, this concern is magnified. As such, an injunction will issue preventing the vote on the merger [vote] until such time as the Lear shareholders are apprised of the CEO's overtures to the board concerning his retirement benefits.[14]

Stock Option Backdating

In *In re CNET Networks, Inc. Shareholder Derivative Litigation*,[15] plaintiffs alleged that eight option grants made to certain directors and officers of CNET Networks, Inc. between 1998 and 2003 had been backdated. Further, plaintiffs also claimed that demand by stockholders on the board of directors to pursue litigation against the defendants would have been futile because all of the six board members had received backdated options. Defendants contended that the stock options were only mispriced for accounting purposes. The U.S. District Court for the Northern District of California stated that the "issue is whether plaintiffs have alleged circumstances from which we may reasonably infer backdating as opposed to innocent bookkeeping error."[16] The court dismissed the plaintiffs' complaint and noted that plaintiffs failed to plead their methodology for detecting backdated options, "whether it was used by anyone else, or whether it was peer-reviewed or bore other indicia of academic approval."[17] The court indicated that without "sound analytical methods," an inference off illegal backdating was "more difficult to support."[18] The court also found that "mere membership on a committee or board without specific allegations as to defendants' roles and conduct is insufficient to support a finding that directors are conflicted."[19]

Web Site Notice

Douglas v. United States District Court for the Central District of California[20] considered whether a service provider may change the terms of its service contract by posting a revised contract on its Web site without giving any additional notice.[21] Specifically, Joe Douglas had contracted for long distance telephone service with America Online ("AOL"). Talk America subsequently acquired this business from AOL and continued to provide telephone service to AOL's former customers. Talk America then added four provisions to the service contract and posted the revised contract on its Web site. However, according to Douglas, Talk America never notified him that the contract had changed. After becoming aware of the additional changes, Douglas filed a class action lawsuit in the District Court for the Central District of California, charging Talk America with violations of the Federal Communications Act, breach of contract, and violations of various California consumer protection statutes. Talk America moved to compel arbitration based on the modified contract, and the district court granted the motion. Douglas petitioned for a writ of mandamus. The Ninth Circuit's per curiam opinion granted the writ of mandamus, and the Ninth Circuit held that the district court's order compelling arbitration was erroneous as a matter of law because it had held that Douglas was bound by the terms of the revised contract when he was not notified of the changes. Consequently, the Ninth Circuit vacated the district court's order compelling arbitration. The Ninth Circuit explained that "a party can't unilaterally change the terms of a contract; it must obtain the other party's consent before doing so."[22]

Fiduciary Duties of Directors of a Corporation in the Zone of Insolvency and of an Insolvent Corporation

In *North American Catholic Educational Programming Foundation, Inc. v. Ghewalla*,[23] the Delaware Supreme Court held that the creditors of a Delaware corporation have no right to assert direct claims for breach of fiduciary duty against the corporation's directors if the corporation is either insolvent or in the zone of insolvency. In the case of a corporation operating in the zone of insolvency, the court stated: "the focus for Delaware directors does not change: directors must continue to discharge their fiduciary duties to the corporation and its shareholders by exercising their business judgment in the best interests of the corporation for the benefit of its shareholder owners."[24]

Entire Fairness Review and Revlon Doctrine

In re PNB Holding Company Shareholders Litigation[25] involved a merger of a bank holding company into an S corporation that cashed out shareholders with fewer than 2,000 shares and left the directors and members of their families as the shareholders of the surviving corporation. The Delaware Court of Chancery held that the merger was subject to review under the "entire fairness" standard of review set out in *Weinberger v. UOP, Inc.*,[26] which held that a controlling shareholder standing on both sides of a transaction has the burden of proving its entire fairness. Under *Weinberger*, the concept of fairness includes both

the fairness of the procedure by which director and shareholder approvals are obtained and the fairness of the price.[27]

In re Netsmart Technologies, Inc.[28] illustrates the doctrine announced in *Revlon, Inc. v. McAndrews & Forbes Holdings, Inc.*[29]—in selling a company, directors are required to take reasonable steps to realize its highest value for the shareholders. The management of Netsmart, a micro-cap company, and William Blair & Company, its longtime financial advisor, recommended that the board auction the company to a limited number of private equity buyers. The board approved and appointed a special committee of independent directors to protect the interests of non-management shareholders. The special committee hired William Blair as its own advisor and collaborated closely with management in the search for a buyer. After approaching seven private equity buyers and receiving competitive bids from only four, the special committee recommended, and the board approved, a merger agreement with Insight. As in most private equity deals, Netsmart's management was to continue to manage the company and share in an option pool. The merger agreement prohibited Netsmart's board from shopping the company but allowed the board to consider a superior proposal and to accept it subject to a 3% termination fee.

A group of shareholders obtained a preliminary injunction against the merger until the Netsmart board disclosed to the shareholders (1) either the court's decision or a fuller, more balanced description of the board's decision not to pursue a sale to a strategic buyer; and (2) William Blair's best estimate of the future cash flows of the company. The court refused to grant further injunctive relief because there was no higher bid pending, and the court determined that an injunction to allow the board time to better market the company might cost the shareholders the current bid.

Duties of a Shareholder Exercising Contractual Rights

In *Superior Vision Services, Inc. v. ReliaStar Life Insurance Company*,[30] the court dismissed the claim of Superior Vision Services, Inc. ("SVS") against its 44% shareholder ReliaStar Life Insurance Company ("ReliaStar") that ReliaStar's refusal to waive its contractual right to prohibit dividends breached the fiduciary duty it owed to SVS as a controlling shareholder and breached the covenant of good faith and fair dealing implied in the stock purchase agreements. The dividend restrictions could be waived by investors owning two-thirds of the purchased securities. As a result of ReliaStar's 44% interest, waiver required ReliaStar's consent. The five-member SVS board, including two directors appointed by ReliaStar, unanimously approved the payment of a dividend, but ReliaStar refused to waive the contractual prohibition on the payment of dividends.

The court held that a shareholder owes fiduciary duties to a corporation only when it is a majority shareholder owning more than 50% of the shares or when it exercises control over the business affairs of the corporation. For this purpose, the court found that control meant control of the board, and separately negotiated contract rights did not amount to control. The court noted that there might be circumstances where contractual rights coupled with a significant equity position were used to induce or to coerce the board of directors to approve or refrain from approving certain actions that would support a finding that a particular shareholder was a controlling shareholder. The court, however, found that was not the case here as the board had unanimously voted to approve the dividends.

Stock Option Backdating and Spring-Loading

In *Ryan v. Gifford*,[31] the plaintiff's complaint alleged that members of the compensation committee and other directors of Maxim Integrated Products, Inc. had backdated the grant of stock options in violation of a shareholder approved stock option plan. The complaint was based on statistical data showing that it was probable the options had been backdated. The court excused the plaintiff from having to make a demand on the board to bring suit because one-half of the current board members had approved each of the challenged transactions. Under *Aronson v. Lewis*,[32] failure to make a demand on the board is excused if a plaintiff alleges facts that create a reason to doubt that (1) a majority of the board is disinterested or independent; or (2) the challenged acts were a product of the board's valid exercise of business judgment. The court held: "A board's knowing and intentional decision to exceed the stockholders' grant of express (but limited authority) raises doubt whether such decision is a valid exercise of business judgment and is sufficient to excuse a failure to make a demand."[33] The court also found the demand excused under the first leg of *Aronson* on the ground that the substantial likelihood of liability faced by the directors who were alleged to have approved the stock option backdating created a reason to doubt that a majority of the directors were independent and disinterested.[34]

In *Tyson Foods*,[35] the complaint alleged that the compensation committee had approved the granting of spring-loaded options (i.e., granting options before the issue of favorable news releases by the company). The court held that this conduct constituted a breach of fiduciary duty:

> The question before the Court is not, as plaintiffs suggest, whether spring-loading constitutes a form of insider trading as it would be understood under federal securities law. The relevant issue is whether a director acts in bad faith by authorizing options with a market-value strike price, as he is required to do by a shareholder-approved incentive option plan, at a time when he knows those shares are actually worth more than the exercise price. A director who intentionally uses inside knowledge not available to shareholders in order to enrich employees while avoiding shareholder-imposed requirements cannot, in my opinion, be said to be acting loyally and in good faith as a fiduciary.[36]

The court stated that the same rule would apply in the case of bullet-dodging option grants.[37] A bullet-dodging option grant occurs when options are granted after the release of materially damaging information. The court refused to dismiss the complaint on the grounds that the statute of limitations had run because the fraudulent concealment alleged had tolled the statute.

Permissible Scope of Non-Solicitation Covenants

Strategix, Ltd. v. Infocrossing West, Inc.[38] considered the permissible scope of a non-solicitation covenant under Business and Professions Code section 16600. Strategix, Ltd. sold its goodwill and substantially all of its assets to Infocrossing's predecessor, Systems Managements Specialists ("SMS"). E-Passage, the parent of Strategix, and SMS executed a consulting agreement in connection with the sale that prohibited E-Passage from soliciting SMS's employees for one year after the termination of the consulting relationship and from soliciting SMS's customers for the same period. E-Passage and Strategix subsequently rescinded the purchase and consulting agreements and sued Infocrossing. Infocrossing then filed a complaint against E-Passage and Strategix for breach of the non-solicitation covenants. The court held that "non-solicitation covenants barring the seller from soliciting *all* employees and customers of the buyer, even those who were not former employees or customers of the sold business, extend their anti-competitive reach beyond the 'business so sold.'"[39] The court reasoned: "They do more than insure the buyer receives the full value of the business it bought...the covenants would give the buyer broad protection against competition wherever it happens to have employees or customers at the expense of the seller's fundamental right to compete for employees and customers in the market."[40] The court refused to rewrite the overbroad covenants and likewise declined to narrow them to covenants against soliciting Strategix's former employees and customers.[41] ■

Endnotes

[1] A complete copy of Senate Bill No. 998 (2007-2008 Reg. Sess.) is available on the California Legislative Counsel's Web site at http://www.leginfo.ca.gov/bilinfo.html.

[2] The Commissioner's order adopting the amendments can be found at http://www.corp.ca.gov/olp/pdf/rm/2706order.pdf.

3 *See* Commissioner's Release 109-C (Revised) at http://www.corp.ca.gov/press/commissioner/releases/pdf/109c.pdf.lkjkj.

[4] *See* http://www.leginfo.ca.gov/pub/03-04/bill/asm/ab_3051-3100/ab_3070_bill_20040910_chaptered.html.

[5] *See* Commissioner's Release 87-C (Revised) at http://www.corp.ca.gov/press/commissioner/releases/pdf/87c.pdf and Release 88-C (Revised) at http://www.corp.ca.gov/press/commissioner/releases/pdf/88c.pdf.

[6] *See* http://www.corp.ca.gov/OLP/pdf/rm/4106extension.pdf.

[7] *In re The Topps Company Shareholders Litigation* (Del. Ch. June 14, 2007 C.A. Nos. 2786-VCS, 2998-VCS) 2007 Lexis 82.

[8] *Id.* at p. 8.

[9] *Id.* at p. 9.

[10] *Id.* at p. 10.

[11] *In re Lear Corporation Shareholders Litigation* (Del. Ch. June 15, 2007 C.A. No. 2728-VCS) 2007 Lexis 88.

[12] *Id.* at pp. 32-34.

[13] *Id.* at p. 5.

[14] *Id.* at p. 6.

[15] *In re CNET Networks, Inc. Shareholder Derivative Litigation* (N.D. Cal. April 11, 2007) 2007 U.S. Dist. Lexis 29780.

[16] *Id.* at p. 25.

[17] *Id.* at p. 29.

[18] *Id.*

[19] *Id.* at p. 45.

[20] *Douglas v. United States District Court for the Central District of California* (July 18, 2007 No. 06-75424) 2007 U.S.App. Lexis 17061.

[21] *Id.* at p. 1.

[22] *Id.* at p. 4.

[23] *North American Catholic Educational Programming Foundation, Inc. v. Ghewalla* (2007) 2007 Del. Lexis 227.

[24] *Id.* at *25.

[25] *In re PNB Holding Company Shareholders Litigation* (2006) 2006 Del.Ch. Lexis 158.

[26] *Weinberger v. UOP, Inc.* (Del. 1983) 457 A.2d 701, 710.

[27] See *id.* at p. 711.

[28] *In re Netsmart Technologies, Inc.* (Del. 2007) 924 A.2d 171.

[29] *Revlon, Inc. v. McAndrews & Forbes Holdings, Inc.* (Del. 1986) 506 A.2d 173.

[30] *Superior Vision Services, Inc. v. ReliaStar Life Insurance Company* (2006) 2006 Del. Ch. Lexis 160.

[31] *Ryan v. Gifford* (Del. 2007) 918 A.2d 341.

[32] *Aronson v. Lewis* (Del. 1984) 473 A.2d 805, 812.

[33] *Id.* at p. 354.

[34] *Id.* at pp. 355-356.

[35] *Tyson Foods* (Del. 2007) 919 A.2d 563.

[36] *Id.* at p. 593.

[37] *Id.*

[38] *Strategix, Ltd. v. Infocrossing West, Inc.* (2006) 142 Cal. App.4th 1068.

[39] *Id.* at p. 1073.

[40] *Id.*

[41] *Id.* at p. 1074.

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days written notice. State law acknowledges some exceptions to this notice requirement. This two-year bill adds another exception to the notice requirement, i.e., when a card issuer terminates an entire class (or substantially the entire class) of a card issuer's private label credit card accounts. However, the statute requires the card issuer to provide notice within 60 days of the termination.

Mortgages

Assembly Bill No. 512 (2007-2008 Reg. Sess.) (Lieber): Foreign Language Term Summary Sheets for Mortgage Loans

This two-year bill requires supervised financial organizations, including banks and credit unions, to provide a summary sheet of loan terms in the language in which the loan was negotiated if it was negotiated in one of five identified foreign languages.

Assembly Bill No. 976 (2007-2008 Reg. Sess.) (Calderon): Mortgage Lending Discrimination

(Enacted: Chapter 403.) Existing Fair Employment & Housing Act (FEHA) law prohibits entities, including banks and mortgage companies, from discriminating against a person on various grounds, including race, color, religion, gender, sexual orientation, marital status, national origin, ancestry, familial status, source of income, or disability. This measure adds citizenship and immigration status to the list.

Senate Bill No. 385 (2007-2008 Reg. Sess.) (Machado): Real Estate Mortgages

(Enacted: Chapter 301.) This bill makes findings and declarations regarding the importance of the federal *Nontraditional Mortgage Guidance* and *Statement on Subprime Lending*. The bill directs the Commissioner of the Department of Financial Institutions to apply the nontraditional mortgage product risk guidance to state-regulated financial institutions, including, but not limited to, privately-insured state-chartered credit unions.

The bill also directs the Commissioner of the Department of Corporations to apply the nontraditional mortgage product risk guidance (issued by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) in November 2006) to licensed finance lenders and residential mortgage lenders.

The bill also directs the Commissioner of the Department of Real Estate (DRE) to apply the CSBS/AARMR guidance to real estate brokers.

The bill authorizes all three commissioners to adopt emergency and final regulations to clarify the application of the guidance documents to their licensees as soon as possible. Finally, the bill requires the Secretary of Business, Transportation, and Housing to ensure that all three commissioners coordinate their policymaking and rulemaking efforts related to the guidance in order to ensure that it is applied consistently to all California entities engaged in the brokering, originating, servicing, underwriting, and issuance of nontraditional mortgage products.

Motor Vehicles

Assembly Bill No. 1575 (2007-2008 Reg. Sess.) (Richardson): Vehicle Liens

(Enacted: Chapter 121.) This bill adjusts the limits on vehicle liens for repair and storage to the cost of inflation over the past 20 years. It increases the liens for repairs from $750 to $1,500; increases the liens for storage from $400 to $1,025 for vehicles worth $4,000 or less; and sets the lien for storage of vehicles worth more than $4,000 at $1,250. It also indicates that costs of storage are subject to Vehicle Code section 10652.5, which requires notice to the legal owner within 15 days of possessing the vehicle. It also prohibits a mechanic from removing repair parts added to the vehicle when the mechanic realizes the amount of the repair is subject to lien limits.

Senate Bill No. 67 (2007-2008 Reg. Sess.) (Perata): Vehicle Forfeiture

(Enacted: Chapter 727.) Existing law allows a peace officer to impound a motor vehicle used in a speed contest for up to 30