



# California Corporate & Securities Law

## Bill Would Ease Corporate Distributions Test

Posted In [Legislation](#)

2/24/2011

Last week, Assembly Member [Curt Hagman](#) introduced [AB 571](#) on behalf of the [Business Law Section of the California State Bar](#). The bill would ease the restrictions on distributions to shareholders, as defined in Corporations Code § 166. These limitations apply to California corporations and foreign corporations subject to Corporations Code Section 2115.

California's current statute does not rely on the archaic concept of "surplus" still used by Delaware (*See* DGCL §§ 154 & 170). Instead, the limitations on dividends and other distributions to shareholders are governed by more modern accounting concepts set forth in Chapter 5 of the General Corporation Law.

AB 571 would amend Sections 500, 506, and 509 of, repeal Sections 502 and 507 of, and repeal and add Section 503 of, the Corporations Code.

Please contact [Keith Paul Bishop](#) at Allen Matkins for more information [kbishop@allenmatkins.com](mailto:kbishop@allenmatkins.com)

<http://www.calcorporatelaw.com/>