

Introduced by Senator CorreaFebruary 20, 2008

An act to amend Sections 7025, 7028.5, 7029, 7065, 7065.1, 7065.5, 7068, 7068.1, 7068.2, 7069, 7071, 7071.8, 7071.9, 7071.10, 7071.11, 7071.17, 7072.5, 7075.1, 7076, 7076.2, 7085.6, 7090.1, 7096, 7121, 7121.1, 7121.5, 7121.6, 7122, 7122.1, 7122.2, 7122.5, 7137, 7138, and 7152 of, and to add Section 7026.4 to, the Business and Professions Code, and to amend Section 17002 of the Corporations Code, relating to contractors, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1337, as introduced, Correa. Contractors: limited liability companies.

Existing law, the Beverly-Killea Limited Liability Company Act, authorizes a limited liability company to engage in any lawful business activity, except as specified, but prohibits construing the act to permit a limited liability company to render professional services, as defined.

Existing law, the Contractors' State License Law, provides for the licensure and regulation of contractors by the Contractors' State License Board. Existing law authorizes the issuance of contractors licenses to individual owners, copartnerships, and corporations and authorizes those persons and entities to qualify for a license by the appearance of specified individuals. Existing law authorizes the board to set application, licensure, and renewal fees, among others, and provides for the deposit of those fees in the Contractors' License Fund, a continuously appropriated fund. Existing law prohibits licensed contractors from performing specified acts and makes a violation of certain of those provisions a crime.

This bill would authorize a limited liability company to render occupational, nonprofessional services lawfully rendered only pursuant to a specified license, certificate, or registration if the provisions governing that license, certificate, or registration identify those services as occupational, nonprofessional services and authorize a limited liability company to hold that license, certificate, or registration. The bill would specify that the services a licensed contractor is authorized to perform are occupational, nonprofessional services and would authorize the issuance of contractors licenses to limited liability companies. The bill would authorize the responsible managing manager, responsible managing officer, or responsible managing employee of the limited liability company to qualify for the license. The bill would also enact related, conforming provisions. Because the bill would impose various fees on limited liability companies that apply for and obtain a contractors license, the bill would increase the amount of revenue deposited in the Contractors' License Fund, thereby making an appropriation. In addition, because a violation of specified provisions of the Contractors State License Law by a limited liability company licensed pursuant to these provisions would be a crime, the bill would impose a state-mandated local program.

Existing law makes various provisions of the Contractors' State License Law applicable to the member, officer, or director, among others, of a licensed contractor.

This bill would delete the term "member" from those provisions and, in specified instances, insert the term "partner."

Under existing law, at the time of application for renewal of a license, the responsible managing individual of a licensee must file a statement with the registrar verifying his or her capacity as a responsible managing individual to the licensee.

This bill would make that requirement applicable to the qualifying individual for a licensee.

Existing law allows a contractor's license number to be reissued or reassigned to a corporation in specified instances.

This bill would allow a contractor's license number to be reissued or reassigned to a corporation or limited liability company that acquires a licensee pursuant to an asset sale if the corporation or limited liability company has a qualifier, as specified.

Existing law also allows a contractor's license number to be reissued or reassigned to an immediate family member of a licensed individual who is deceased or absent if the license is required to continue an

existing family contracting business or to a corporation created by immediate family members of a licensed individual to continue an existing deceased or absent individual licensee’s contracting business. Existing law defines an immediate family member to include a spouse, brother, sister, son, daughter, grandson, or granddaughter, among others.

This bill would specify that an immediately family member includes a father, mother, grandfather, and grandmother.

The bill would make other technical, nonsubstantive changes.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7025 of the Business and Professions
2 Code is amended to read:

3 7025. (a) “Person” as used in this chapter includes an
4 individual, a firm, copartnership, corporation, *limited liability*
5 *company*, association or other organization, or any combination
6 of any thereof.

7 (b) “*Qualifying person,*” “*qualifying individual,*” or
8 “*qualifier,*” as used in this chapter, means a person who qualifies
9 for a license pursuant to Section 7068.

10 SEC. 2. Section 7026.4 is added to the Business and Professions
11 Code, to read:

12 7026.4. For purposes of Section 17002 of the Corporations
13 Code, the services that a contractor licensed pursuant to this chapter
14 is authorized to perform are occupational, nonprofessional services.

15 SEC. 3. Section 7028.5 of the Business and Professions Code
16 is amended to read:

17 7028.5. It is unlawful for ~~any~~ a person who is or has been a
18 ~~member,~~ *partner,* officer, director, *manager,* *responsible managing*
19 *employee,* *responsible managing manager,* or responsible managing
20 officer of a licensed copartnership, corporation, *limited liability*
21 *company,* firm, association or other organization to individually
22 engage in the business or individually act in the capacity of a

1 contractor within this ~~State~~ *state* without having a license in good
2 standing to so engage or act.

3 SEC. 4. Section 7029 of the Business and Professions Code is
4 amended to read:

5 7029. A joint venture license is a license issued to any
6 combination of individuals, corporations, *limited liability*
7 *companies*, partnerships, or other joint ventures, each of which
8 holds a current, active license in good standing. A joint venture
9 license may be issued in any classification in which at least one
10 of the entities is licensed. An active joint venture license shall be
11 automatically suspended by operation of law during any period in
12 which any member of the entity does not hold a current, active
13 license in good standing.

14 SEC. 5. Section 7065 of the Business and Professions Code is
15 amended to read:

16 7065. Under rules and regulations adopted by the board and
17 approved by the director, the registrar shall investigate, classify,
18 and qualify applicants for contractors' licenses by written
19 examination. This examination shall include questions designed
20 to show that the applicant has the necessary degree of knowledge
21 required by Section 7068 and shall include pertinent questions
22 relating to the laws of this state, and the contracting business and
23 trade. Contractors' licenses are to be issued to individual owners,
24 copartnerships, ~~and~~ corporations, *and limited liability companies*.
25 An individual owner may qualify by examination for a contractor's
26 license upon the appearance of the owner or a qualifying individual
27 appearing as a responsible managing employee on behalf of the
28 owner. A copartnership may qualify by examination for a
29 contractor's license upon the appearance of a copartner or a
30 qualifying individual appearing as a responsible managing
31 employee *on behalf of the copartnership*. A corporation may
32 qualify by examination for a contractor's license upon the
33 appearance of a qualifying individual appearing either as a
34 responsible managing officer or a responsible managing employee
35 *on behalf of the corporation*. A *limited liability company* may
36 *qualify by examination for a contractor's license upon the*
37 *appearance of a qualifying individual appearing as a responsible*
38 *managing officer, a responsible managing manager, or a*
39 *responsible managing employee on behalf of the company*. No
40 examination shall be required of a qualifying individual if, within

1 the five-year period immediately preceding the application for
2 licensure, the qualifying individual has either personally passed
3 the written examination for the same classification being applied
4 for, or has served as the qualifying individual for a licensee whose
5 license was in good standing at any time during the five-year period
6 immediately preceding the application for licensure and in the
7 same classification being applied for.

8 SEC. 6. Section 7065.1 of the Business and Professions Code
9 is amended to read:

10 7065.1. Notwithstanding Section 7065, the registrar may waive
11 the examination for a contractor's license under any of the
12 following circumstances:

13 (a) The qualifying individual has, for five of the seven years
14 immediately preceding the application for licensure, been listed
15 on the official records of the board as a member of the personnel
16 of any licensee who held a license, which was active and in good
17 standing, in the same classification being applied for, and who
18 during the period listed on the license has been actively engaged
19 in a licensee's construction activities in the same classification
20 within which the applicant applies for a license.

21 (b) The qualifying individual is an immediate member of the
22 family of a licensee whose individual license was active and in
23 good standing for five of the seven years immediately preceding
24 the application for licensure, and the qualifying individual is able
25 to show all of the following:

26 (1) The qualifying individual has been actively engaged in the
27 licensee's business for five of the seven years immediately
28 preceding the application for licensure.

29 (2) The license is required to continue the existing family
30 business in the event of the absence or death of the licensee.

31 (3) An application is made for a new license in the same
32 classifications in which the licensee is or was licensed.

33 (c) The qualifying individual is an employee of a corporation
34 *or a limited liability company* seeking to replace its former
35 qualifying individual and has been employed by that corporation
36 *or limited liability company* under the following conditions:

37 (1) For five of the seven years immediately preceding the
38 application for licensure, the qualifying individual has been
39 continually employed by the corporation *or limited liability*

1 *company* in a supervisory capacity in the same classifications being
2 applied for.

3 (2) For five of the seven years immediately preceding the
4 application for licensure, the corporation *or limited liability*
5 *company* has held an active license in good standing in the same
6 classifications being applied for.

7 The corporation *or limited liability company* has not requested
8 a waiver under this subdivision within the past five years.

9 For purposes of this section, employees of a corporation *or*
10 *limited liability company* shall include, but not be limited to, the
11 officers of a corporation *and the officers and managers of a limited*
12 *liability company*.

13 SEC. 7. Section 7065.5 of the Business and Professions Code
14 is amended to read:

15 7065.5. No license shall be issued to a minor, nor to any
16 copartnership a ~~member~~ *partner* of which is a minor, nor to any
17 corporation any officer, director or responsible managing employee
18 of which is a minor, *nor to any limited liability company any*
19 *officer, manager, or responsible managing employee of which is*
20 *a minor*, nor to any other kind of business organization in which
21 a minor holds a responsible official position, unless ~~such~~ *the* minor
22 shall first have had a guardian appointed by a court of competent
23 jurisdiction.

24 SEC. 8. Section 7068 of the Business and Professions Code is
25 amended to read:

26 7068. (a) The board shall require an applicant to show ~~such~~
27 *the* degree of knowledge and experience in the classification
28 applied for, and ~~such~~ *the* general knowledge of the building, safety,
29 health, and lien laws of the state and of the administrative principles
30 of the contracting business ~~as~~ *that* the board deems necessary for
31 the safety and protection of the public.

32 (b) An applicant shall qualify in regard to his or her experience
33 and knowledge in one of the following ways:

34 (1) If an individual, he or she shall qualify by personal
35 appearance or by the appearance of his or her responsible managing
36 employee who is qualified for the same license classification as
37 the classification being applied for.

38 (2) If a copartnership or a limited partnership, it shall qualify
39 by the appearance of a general partner or by the appearance of a

1 responsible managing employee who is qualified for the same
2 license classification as the classification being applied for.

3 (3) If a corporation, or any other combination or organization,
4 it shall qualify by the appearance of a responsible managing officer
5 or responsible managing employee who is qualified for the same
6 license classification as the classification being applied for.

7 (4) *If a limited liability company, it shall qualify by the*
8 *appearance of a responsible managing officer; a responsible*
9 *managing manager, or a responsible managing employee who is*
10 *qualified for the same license classification as the classification*
11 *being applied for.*

12 (c) A responsible managing employee for the purpose of this
13 chapter shall mean an individual who is a bona fide employee of
14 the applicant and is actively engaged in the classification of work
15 for which that responsible managing employee is the qualifying
16 person in behalf of the applicant.

17 (d) The board shall, in addition, require an applicant who
18 qualifies by means of a responsible managing employee under
19 either paragraph (1) or (2) of subdivision (b) to show his or her
20 general knowledge of the building, safety, health, and lien laws of
21 the state and of the administrative principles of the contracting
22 business as the board deems necessary for the safety and protection
23 of the public.

24 (e) Except in accordance with Section 7068.1, no person
25 qualifying on behalf of an individual or firm under paragraph (1),
26 (2), ~~or (3)~~, *or (4)* of subdivision (b) shall hold any other active
27 contractor's license while acting in the capacity of a qualifying
28 individual pursuant to this section.

29 (f) At the time of application for renewal of a license, the
30 ~~responsible managing~~ *current qualifying* individual shall file a
31 statement with the registrar, on a form prescribed by the registrar,
32 verifying his or her capacity as a ~~responsible managing~~ *qualifying*
33 individual to the licensee.

34 (g) Statements made by or on behalf of an applicant as to the
35 applicant's experience in the classification applied for shall be
36 verified by a qualified and responsible person. In addition, the
37 registrar shall, as specified by board regulation, randomly review
38 a percentage of such statements for their veracity.

1 (h) The registrar shall review experience gained by applicants
2 from other states to determine whether all of that experience was
3 gained in a lawful manner in that state.

4 SEC. 9. Section 7068.1 of the Business and Professions Code
5 is amended to read:

6 7068.1. The person qualifying on behalf of an individual or
7 firm under paragraph (1), (2), ~~or~~ (3), *or* (4) of subdivision (b) of
8 Section 7068 shall be responsible for exercising that direct
9 supervision and control of his or her employer's or principal's
10 construction operations as is necessary to secure full compliance
11 with the provisions of this chapter and the rules and regulations
12 of the board relating to the construction operations. This person
13 shall not act in the capacity of the qualifying person for an
14 additional individual or firm unless one of the following conditions
15 exists:

16 (a) There is a common ownership of at least 20 percent of the
17 equity of each individual or firm for which the person acts in a
18 qualifying capacity.

19 (b) The additional firm is a subsidiary of or a joint venture with
20 the first. "Subsidiary," as used in this subdivision, means any firm
21 at least 20 percent of the equity of which is owned by the other
22 firm.

23 (c) With respect to a firm under paragraph (2) ~~or~~, (3), *or* (4) of
24 subdivision (b) of Section 7068, the majority of the partners ~~or~~,
25 officers, *or managers* are the same.

26 (d) Notwithstanding subdivisions (a), (b), and (c), a qualifying
27 individual may act as the qualifier for no more than three firms in
28 any one-year period.

29 "Firm," as used in this section, means a copartnership, a limited
30 partnership, a corporation, *a limited liability company*, or any other
31 combination or organization described in Section 7068.

32 "Person," as used in this section, is limited to ~~persons~~ natural
33 *persons*, notwithstanding the definition of "person" in Section
34 7025.

35 The board shall require every applicant or licensee qualifying
36 by the appearance of a qualifying individual to submit detailed
37 information on the qualifying individual's duties and
38 responsibilities for supervision and control of the applicant's
39 construction operations.

1 SEC. 10. Section 7068.2 of the Business and Professions Code
2 is amended to read:

3 7068.2. If the responsible managing officer ~~or~~, responsible
4 managing employee, *or responsible managing manager*
5 disassociates from the licensed entity, the licensee, or the qualifier
6 shall notify the registrar in writing, and the licensee shall replace
7 the qualifier, within 90 days from the date of disassociation.

8 To replace a responsible managing officer ~~or~~, responsible
9 managing employee, *or responsible managing manager*, the
10 licensee shall file an application as prescribed by the registrar,
11 accompanied by the fee fixed by this chapter, designating an
12 individual to qualify as required by this chapter.

13 Upon failure to replace the qualifier within 90 days of the
14 disassociation the license shall be automatically suspended or the
15 classification removed at the end of the 90 days.

16 The registrar may review and accept the petition of a licensee
17 who disputes the date of disassociation or who has failed to notify
18 and replace the qualifier within the prescribed time, upon a showing
19 of good cause by the contractor. This petition shall be received
20 within 90 days from the date of the board's notice that the license
21 will be suspended if the qualifier is not replaced. The registrar may
22 grant only one 90-day extension to replace the qualifier.

23 Upon failure of the licensee or the qualifier to notify the registrar
24 of the disassociation within 90 days from the date of disassociation,
25 the license shall be automatically suspended or the classification
26 removed and the qualifier removed from the license effective the
27 date the written notification is received at the board's headquarters
28 office.

29 The person qualifying on behalf of ~~an individual or firm under~~
30 ~~subdivision (a), (b), or (c) of a licensee under~~ Section 7068 shall
31 be responsible for the licensee's construction operations until the
32 board receives the written notification of disassociation.

33 Failure of the licensee or the qualifier to notify the registrar of
34 the qualifier's disassociation within 90 days of the disassociation
35 is grounds for disciplinary action.

36 SEC. 11. Section 7069 of the Business and Professions Code
37 is amended to read:

38 7069. (a) An applicant, and each officer, director, partner,
39 *manager*, associate, and responsible managing employee thereof,

1 shall not have committed acts or crimes that are grounds for denial
2 of licensure under Section 480.

3 (b) As part of an application for a contractor's license, the board
4 shall require an applicant to furnish a full set of fingerprints for
5 purposes of conducting a criminal history record check.
6 Fingerprints furnished pursuant to this subdivision shall be
7 submitted in an electronic format if readily available. Requests for
8 alternative methods of furnishing fingerprints are subject to the
9 approval of the registrar. The board shall use the fingerprints
10 furnished by an applicant to obtain criminal history information
11 on the applicant from the Department of Justice and the United
12 States Federal Bureau of Investigation, and the board may obtain
13 any subsequent arrest information that is available.

14 SEC. 12. Section 7071 of the Business and Professions Code
15 is amended to read:

16 7071. No license shall be issued to a corporation, copartnership,
17 *limited liability company*, or other combination or organization if
18 ~~any~~ a responsible officer or director of ~~such~~ the corporation, or
19 other combination or organization, or ~~any member~~ partner of ~~such~~
20 the copartnership, or a manager or officer of the *limited liability*
21 *company* does not meet the qualifications required of an applicant
22 other than those qualifications relating to knowledge and
23 experience.

24 SEC. 13. Section 7071.8 of the Business and Professions Code
25 is amended to read:

26 7071.8. (a) This section applies to an application for a license,
27 for renewal or restoration of a license, an application to change
28 officers of a corporation or a *limited liability company*, or for
29 continued valid use of a license which has been disciplined,
30 whether or not the disciplinary action has been stayed, made by
31 any of the following persons or firms:

32 (1) ~~Any~~ A person whose license has been suspended or revoked
33 as a result of disciplinary action, or ~~any~~ a person who was a
34 qualifying individual for a licensee at any time during which cause
35 for disciplinary action occurred resulting in suspension or
36 revocation of the licensee's license, whether or not the qualifying
37 individual had knowledge or participated in the prohibited act or
38 omission.

39 (2) ~~Any~~ A person who was an officer, director, ~~member~~,
40 *manager*, or partner of a licensee at any time during which cause

1 for disciplinary action occurred resulting in suspension or
2 revocation of the licensee’s license and who had knowledge of or
3 participated in the act or omission which was the cause for the
4 disciplinary action.

5 (3) ~~Any~~ A partnership, corporation, *limited liability company*,
6 firm, or association of which ~~any~~ an existing or new officer,
7 director, ~~member~~, *manager*; partner, or qualifying person has had
8 a license suspended or revoked as a result of disciplinary action.

9 (4) ~~Any~~ A partnership, corporation, *limited liability company*,
10 firm, or association of which ~~any~~ an officer, director, ~~member~~,
11 *manager*; partner, or qualifying person was a ~~member~~, *manager*;
12 officer, director, or partner of a licensee at any time during which
13 cause for disciplinary action occurred resulting in suspension or
14 revocation of the license, and who had knowledge of or participated
15 in the act or omission which was the cause for the disciplinary
16 action.

17 (b) The board shall require as a condition precedent to the
18 issuance, reissuance, renewal, or restoration of a license to the
19 applicant, or to the approval of an application to change officers
20 of a corporation *or a limited liability company*, or removal of
21 suspension, or to the continued valid use of a license which has
22 been suspended or revoked, but which suspension or revocation
23 has been stayed, that the applicant or licensee file or have on file
24 a contractor’s bond in a sum to be fixed by the registrar based upon
25 the seriousness of the violation, but which sum shall not be less
26 than fifteen thousand dollars (\$15,000) nor more than 10 times
27 that amount required by Section 7071.6.

28 (c) The bond is in addition to, may not be combined with, and
29 does not replace any other type of bond required by this chapter.
30 The bond shall remain on file with the registrar for a period of at
31 least two years and for ~~such~~ any additional time ~~as~~ that the registrar
32 ~~may determine~~ *determines*. The bond period shall run only while
33 the license is current, active, and in good standing, and shall be
34 extended until ~~such time as~~ the license has been current, active,
35 and in good standing for the required period. Each applicant or
36 licensee shall be required to file only one disciplinary contractor’s
37 bond of the type described in this section for each application or
38 license subject to this bond requirement.

39 SEC. 14. Section 7071.9 of the Business and Professions Code
40 is amended to read:

1 7071.9. (a) If the qualifying individual, as referred to in
2 Sections 7068 and 7068.1, is neither the proprietor, a general
3 partner, nor a joint licensee, he or she shall file or have on file a
4 qualifying individual's bond as provided in Section 7071.10 in the
5 sum of twelve thousand five hundred dollars (\$12,500). This bond
6 is in addition to, and may not be combined with, any contractor's
7 bond required by Sections 7071.5 to 7071.8, inclusive, and is
8 required for the issuance, reinstatement, reactivation, or continued
9 valid use of a license.

10 (b) Excluding the claims brought by the beneficiaries specified
11 in paragraph (1) of subdivision (a) of Section 7071.10, the
12 aggregate liability of a surety on claims brought against the bond
13 required by this section shall not exceed the sum of seven thousand
14 five hundred dollars (\$7,500). The bond proceeds in excess of
15 seven thousand five hundred dollars (\$7,500) shall be reserved
16 exclusively for the claims of the beneficiaries specified in
17 paragraph (1) of subdivision (a) of Section 7071.10. However,
18 nothing in this section shall be construed to prevent any beneficiary
19 specified in paragraph (1) of subdivision (a) of Section 7071.10
20 from claiming or recovering the full measure of the bond required
21 by this section. This bond is in addition to, and may not be
22 combined with, any contractor's bond required by Sections 7071.5
23 to 7071.8, inclusive, and is required for the issuance, reinstatement,
24 reactivation, or continued valid use of a license.

25 (c) The responsible managing officer of a corporation shall not
26 be required to file or have on file a qualifying individual's bond,
27 if he or she owns 10 percent or more of the voting stock of the
28 corporation and certifies to that fact on a form prescribed by the
29 registrar.

30 *(d) The qualifying individual for a limited liability company*
31 *shall not be required to file or have on file a qualifying individual's*
32 *bond if he or she owns at least a 10 percent membership interest*
33 *in the limited liability company and certifies to that fact on a form*
34 *prescribed by the registrar.*

35 SEC. 15. Section 7071.10 of the Business and Professions
36 Code is amended to read:

37 7071.10. (a) The qualifying individual's bond required by this
38 article shall be executed by an admitted surety insurer in favor of
39 the State of California, in a form acceptable to the registrar and

1 filed with the registrar by the qualifying individual. The qualifying
2 individual's bond shall be for the benefit of the following persons:

3 (1) ~~Any~~A homeowner contracting for home improvement upon
4 the homeowner's personal family residence damaged as a result
5 of a violation of this chapter by the licensee.

6 (2) ~~Any~~A person damaged as a result of a willful and deliberate
7 violation of this chapter by the licensee, or by the fraud of the
8 licensee in the execution or performance of a construction contract.

9 (3) ~~Any~~An employee of the licensee damaged by the licensee's
10 failure to pay wages.

11 (4) ~~Any~~A person or entity, including an express trust fund
12 described in Section 3111 of the Civil Code, to whom a portion
13 of the compensation of an employee of a licensee is paid by
14 agreement with that employee or the collective bargaining agent
15 of that employee, that is damaged as the result of the licensee's
16 failure to pay fringe benefits for its employees including, but not
17 limited to, employer payments described in Section 1773.1 of the
18 Labor Code and regulations adopted thereunder (without regard
19 to whether the work was performed on a public or private work).
20 Damage to an express trust fund is limited to employer payments
21 required to be made on behalf of employees of the licensee, as part
22 of the overall compensation of those employees, which the licensee
23 fails to pay.

24 (b) The qualifying individual's bond shall not be required in
25 addition to the contractor's bond when the qualifying individual
26 is ~~himself or herself~~ the proprietor under *paragraph (1) of*
27 ~~subdivision (a)~~ *(b) of Section 7068* or a general partner under
28 *paragraph (2) of subdivision (b) of Section 7068*.

29 SEC. 16. Section 7071.11 of the Business and Professions
30 Code is amended to read:

31 7071.11. (a) The aggregate liability of a surety on a claim for
32 wages and fringe benefits brought against ~~any~~ a bond required by
33 this article, other than a bond required by Section 7071.8, shall
34 not exceed the sum of four thousand dollars (\$4,000). If ~~any~~ a
35 bond required by this article is insufficient to pay all claims in full,
36 the sum of the bond shall be distributed to all claimants in
37 proportion to the amount of their respective claims.

38 (b) No license may be renewed, reissued, or reinstated while
39 ~~any~~ a judgment or admitted claim in excess of the amount of the

1 bond remains unsatisfied. The following limitations periods apply
2 to bonds required by this article:

3 (1) Any action, other than an action to recover wages or fringe
4 benefits, against a contractor's bond or a bond of a qualifying
5 individual filed by an active licensee shall be brought within two
6 years after the expiration of the license period during which the
7 act or omission occurred, or within two years of the date the license
8 of the active licensee was inactivated, canceled, or revoked by the
9 board, whichever first occurs.

10 (2) Any action, other than an action to recover wages or fringe
11 benefits, against a disciplinary bond filed by an active licensee
12 pursuant to Section 7071.8 shall be brought within two years after
13 the expiration of the license period during which the act or
14 omission occurred, or within two years of the date the license of
15 the active licensee was inactivated, canceled, or revoked by the
16 board, or within two years after the last date for which a
17 disciplinary bond filed pursuant to Section 7071.8 was required,
18 whichever date is first.

19 (3) A claim to recover wages or fringe benefits shall be brought
20 within six months from the date that the wage or fringe benefit
21 delinquencies were discovered, but in no event shall a civil action
22 thereon be brought later than two years from the date the wage or
23 fringe benefit contributions were due.

24 (c) Whenever the surety makes payment on ~~any~~ a claim against
25 a bond required by this article, whether or not payment is made
26 through a court action or otherwise, the surety shall, within 30
27 days of the payment, provide notice to the registrar. The notice
28 required by this subdivision shall provide the following information
29 by declaration on a form prescribed by the registrar:

30 (1) The name and license number of the contractor.

31 (2) The surety bond number.

32 (3) The amount of payment.

33 (4) The statutory basis upon which the claim is made.

34 (5) The names of the person or persons to whom payments have
35 been made.

36 (6) Whether or not the payments were the result of a good faith
37 action by the surety.

38 The notice shall also clearly indicate whether or not the licensee
39 filed a protest in accordance with this section.

1 (d) Prior to the settlement of a claim through a good faith
2 payment by the surety, a licensee shall have not less than 15 days
3 in which to provide a written protest. This protest shall instruct
4 the surety not to make payment from the bond on the licensee's
5 account upon the specific grounds that the claim is opposed by the
6 licensee, and provide the surety a specific and reasonable basis for
7 the licensee's opposition to payment.

8 (1) Whenever a licensee files a protest in accordance with this
9 subdivision, the board shall investigate the matter and file
10 disciplinary action as set forth under this chapter if there is
11 evidence that the surety has sustained a loss as the result of a good
12 faith payment made for the purpose of mitigating any damages
13 incurred by any person or entity covered under Section 7071.5.

14 (2) ~~Any~~A licensee that fails to file a protest as specified in this
15 subdivision shall have 90 days from the date of notification by the
16 board to submit proof of payment of the actual amount owed to
17 the surety and, if applicable, proof of payment of any judgment or
18 admitted claim in excess of the amount of the bond or, by operation
19 of law, the license shall be suspended at the end of the 90 days. A
20 license suspension pursuant to this subdivision shall be disclosed
21 indefinitely as a failure to settle outstanding final liabilities in
22 violation of this chapter. The disclosure specified by this
23 subdivision shall also be applicable to all licenses covered by the
24 provisions of subdivision (d).

25 (e) No license may be renewed, reissued, or reinstated while
26 ~~any a~~ surety remains unreimbursed for ~~any a~~ loss or expense
27 sustained on ~~any a~~ bond issued for the licensee or for ~~any an~~ entity
28 of which ~~any an~~ officer, director, ~~member~~, partner, *manager*, or
29 qualifying person was an officer, director, ~~member~~, partner,
30 *manager*, or qualifying person of the licensee while the licensee
31 was subject to suspension or disciplinary action under this section.

32 (f) The licensee may provide the board with a notarized copy
33 of an accord, reached with the surety to satisfy the debt in lieu of
34 full payment. By operation of law, failure to abide by the accord
35 shall result in the automatic suspension of ~~any a~~ license to which
36 this section applies. A license that is suspended for failure to abide
37 by the accord may only be renewed or reinstated when proof of
38 satisfaction of all debts is made.

39 (g) Legal fees may not be charged against the bond by the board.

1 SEC. 17. Section 7071.17 of the Business and Professions
2 Code is amended to read:

3 7071.17. (a) Notwithstanding any other provision of law, the
4 board shall require, as a condition precedent to accepting an
5 application for licensure, renewal, reinstatement, or to change
6 officers or other personnel of record, that an applicant, previously
7 found to have failed or refused to pay a contractor, subcontractor,
8 consumer, materials supplier, or employee based on an unsatisfied
9 final judgment, file or have on file with the board a bond sufficient
10 to guarantee payment of an amount equal to the unsatisfied final
11 judgment or judgments. The applicant shall have 90 days from the
12 date of notification by the board to file the bond or the application
13 shall become void and the applicant shall reapply for issuance,
14 reinstatement, or reactivation of a license. The board may not issue,
15 reinstate, or reactivate a license until the bond is filed with the
16 board. The bond required by this section is in addition to the
17 contractor's bond. The bond shall be on file for a minimum of one
18 year, after which the bond may be removed by submitting proof
19 of satisfaction of all debts. The applicant may provide the board
20 with a notarized copy of any accord, reached with any individual
21 holding an unsatisfied final judgment, to satisfy a debt in lieu of
22 filing the bond. The board shall include on the license application
23 for issuance, reinstatement, or reactivation, a statement, to be made
24 under penalty of perjury, as to whether there are any unsatisfied
25 judgments against the applicant on behalf of contractors,
26 subcontractors, consumers, materials suppliers, or the applicant's
27 employees. Notwithstanding any other provision of law, if it is
28 found that the applicant falsified the statement then the license
29 will be retroactively suspended to the date of issuance and the
30 license will stay suspended until the bond, satisfaction of judgment,
31 or notarized copy of any accord applicable under this section is
32 filed.

33 (b) Notwithstanding any other provision of law, all licensees
34 shall notify the registrar in writing of any unsatisfied final judgment
35 imposed on the licensee. If the licensee fails to notify the registrar
36 in writing within 90 days, the license shall be automatically
37 suspended on the date that the registrar is informed, or is made
38 aware of the unsatisfied final judgment. The suspension shall not
39 be removed until proof of satisfaction of the judgment, or in lieu
40 thereof, a notarized copy of an accord is submitted to the registrar.

1 If the licensee notifies the registrar in writing within 90 days of
2 the imposition of any unsatisfied final judgment, the licensee shall,
3 as a condition to the continual maintenance of the license, file or
4 have on file with the board a bond sufficient to guarantee payment
5 of an amount equal to all unsatisfied judgments applicable under
6 this section. The licensee has 90 days from date of notification by
7 the board to file the bond or at the end of the 90 days the license
8 shall be automatically suspended. In lieu of filing the bond required
9 by this section, the licensee may provide the board with a notarized
10 copy of any accord reached with any individual holding an
11 unsatisfied final judgment.

12 (c) By operation of law, failure to maintain the bond or failure
13 to abide by the accord shall result in the automatic suspension of
14 any license to which this section applies.

15 (d) A license that is suspended for failure to comply with the
16 provisions of this section can only be reinstated when proof of
17 satisfaction of all debts is made, or when a notarized copy of an
18 accord has been filed as set forth under this section.

19 (e) This section applies only with respect to an unsatisfied final
20 judgment that is substantially related to the construction activities
21 of a licensee licensed under this chapter, or to the qualifications,
22 functions, or duties of the license.

23 (f) Except as otherwise provided, this section shall not apply to
24 an applicant or licensee when the financial obligation covered by
25 this section has been discharged in a bankruptcy proceeding.

26 (g) Except as otherwise provided, the bond shall remain in full
27 force in the amount posted until the entire debt is satisfied. If, at
28 the time of renewal, the licensee submits proof of partial
29 satisfaction of the financial obligations covered by this section,
30 the board may authorize the bond to be reduced to the amount of
31 the unsatisfied portion of the outstanding judgment. When the
32 licensee submits proof of satisfaction of all debts, the bond
33 requirement may be removed.

34 (h) The board shall take the actions required by this section
35 upon notification by any party having knowledge of the outstanding
36 judgment upon a showing of proof of the judgment.

37 (i) For the purposes of this section, the term “judgment” also
38 includes any final arbitration award where the time to file a petition
39 for a trial de novo or a petition to vacate or correct the arbitration
40 award has expired, and no petition is pending.

1 (j) The qualifying person and any ~~member~~ *partner* of the
2 licensee or personnel of the licensee named as a judgment debtor
3 in an unsatisfied final judgment shall be automatically prohibited
4 from serving as an officer, director, associate, partner, owner,
5 *manager*, qualifying individual, or other personnel of record of
6 another licensee. This prohibition shall cause the license of any
7 other existing renewable licensed entity with any of the same
8 personnel of record as the judgment debtor licensee to be suspended
9 until the license of the judgment debtor is reinstated or until those
10 same personnel of record disassociate themselves from the
11 renewable licensed entity.

12 (k) For purposes of this section, a cash deposit may be submitted
13 in lieu of the bond.

14 (l) Notwithstanding subdivision (f), the failure of a licensee to
15 notify the registrar of ~~any~~ *an* unsatisfied final judgment in
16 accordance with this section is cause for disciplinary action.

17 SEC. 18. Section 7072.5 of the Business and Professions Code
18 is amended to read:

19 7072.5. (a) Upon the issuance of a license, a plasticized pocket
20 card of a size, design, and content as may be determined by the
21 registrar shall be issued at no cost to each licensee, or to the
22 partners ~~or~~, *managers*, officers, or responsible managing ~~officer~~
23 *officers* of licensees licensed as other than individuals, which card
24 shall be evidence that the licensee is duly licensed pursuant to this
25 chapter. All cards issued shall be surrendered upon the suspension,
26 revocation, or denial of renewal of the license, and shall be mailed
27 or delivered to the board within five days of the suspension,
28 revocation, or denial.

29 (b) When ~~any~~ *a* person to whom a card is issued terminates his
30 or her position, office, or association with a licensee that is licensed
31 as other than an individual, that person shall surrender his or her
32 card to the licensee and within five days thereafter the card shall
33 be mailed or delivered by the licensee to the board for cancellation.

34 SEC. 19. Section 7075.1 of the Business and Professions Code
35 is amended to read:

36 7075.1. (a) No license, regardless of type or classification,
37 shall be transferable to any other person or entity under any
38 circumstances.

1 (b) A license number may be reissued after cancellation,
2 revocation, suspension, or expiration beyond the renewal period
3 specified in Section 7141, only under the following circumstances:

4 (1) To an individual upon application.

5 (2) To a partnership upon application if there is no change in
6 the partners or partnership structure.

7 (3) To a corporation upon application if there is no change in
8 the status of the corporation as registered with the ~~California~~
9 Secretary of State.

10 (4) *To a limited liability company upon application if there is*
11 *no change in the status of the company as registered with the*
12 *Secretary of State.*

13 (c) A license number may be reissued or reassigned to a different
14 entity only under the following conditions:

15 (1) To a corporation when the parent corporation has merged
16 or created a subsidiary, the subsidiary has merged into the parent
17 corporation, or the corporation has changed its filing status with
18 the Secretary of State from a domestic corporation to a foreign
19 corporation or from a foreign corporation to a domestic corporation,
20 and the new entity is being formed to continue the business of the
21 formerly licensed corporation.

22 (2) *To a limited liability company when the parent limited*
23 *liability company has merged or created a subsidiary, the*
24 *subsidiary has merged into the parent limited liability company,*
25 *or the limited liability company has changed its filing status with*
26 *the Secretary of State from a domestic limited liability company*
27 *to a foreign limited liability company or from a foreign limited*
28 *liability company to a domestic limited liability company, and the*
29 *new entity is being formed to continue the business of the formerly*
30 *licensed limited liability company.*

31 ~~(2)~~

32 (3) To an individual when the individual is an immediate family
33 member of a licensed individual who is deceased or absent and
34 the license is required to continue an existing family contracting
35 business.

36 ~~(3)~~

37 (4) To a corporation *or limited liability company* when created
38 by immediate members of an individual licensee's family to
39 continue an existing deceased or absent individual licensee's
40 contracting business.

1 ~~(4)~~

2 (5) To a corporation *or limited liability company* when the
3 corporation *or limited liability company* is formed by an individual
4 licensee and the individual licensee maintains ownership directly
5 or indirectly of shares *or membership interests* evidencing more
6 than 50 percent of the voting power.

7 (6) *To a corporation or limited liability company that acquires*
8 *a licensee pursuant to an asset sale provided that the corporation*
9 *or limited liability company has a qualifier as required by Section*
10 *7068.*

11 For purposes of this section, an immediate family member of a
12 deceased or absent licensed individual is either a spouse, *father*;
13 *mother*; brother, sister, son, daughter, stepson, stepdaughter,
14 grandson, granddaughter, *grandfather*, *grandmother*, son-in-law,
15 or daughter-in-law.

16 SEC. 20. Section 7076 of the Business and Professions Code
17 is amended to read:

18 7076. (a) An individual license shall be canceled upon the
19 death of a person licensed as an individual. An immediate member
20 of the family of the deceased licensee may request a continuance
21 of the license to complete projects in progress and undertake new
22 work for a reasonable amount of time to be determined by rules
23 of the board. The request for a continuance must be made in writing
24 and received at the board's headquarters office within 90 days
25 after the death. Approval of the continuance of an individual license
26 may be contingent upon meeting the bond requirements of Sections
27 7071.5 and 7071.6 within 90 days of notification by the board of
28 that requirement. The immediate member of the family must apply
29 for and obtain his or her own license to continue contracting after
30 the continuance expires.

31 (b) A partnership license shall be canceled upon the death of a
32 general partner. The remaining partner or partners shall notify the
33 registrar in writing within 90 days of the death of a general partner.
34 Failure to notify the registrar within 90 days of the death is grounds
35 for disciplinary action.

36 The remaining general partner or partners may request a
37 continuance of the license to complete projects in progress and
38 undertake new work for a reasonable amount of time to be
39 determined by rules of the board. The request for a continuance
40 must be made in writing and received at the board's headquarters

1 office within 90 days after the death. The remaining general partner
2 or partners must apply for and obtain a new license to continue
3 contracting after the continuance expires.

4 (c) A partnership license shall be canceled upon the
5 disassociation of a general partner or upon the dissolution of the
6 partnership. The disassociating partner or the remaining partner
7 or partners shall notify the registrar in writing within 90 days of
8 the disassociation of a general partner or dissolution of the
9 partnership. Failure to notify the registrar of the disassociation or
10 dissolution within 90 days shall cause the license to be canceled
11 effective the date the written notification is received at the board's
12 headquarters office. Failure to notify the registrar within 90 days
13 of the disassociation or dissolution is grounds for disciplinary
14 action. The remaining general partner or partners may request a
15 continuance of the license to complete projects contracted for or
16 in progress prior to the date of disassociation or dissolution for a
17 reasonable length of time to be determined by rules of the board.
18 The request for a continuance must be made in writing and received
19 at the board's headquarters office within 90 days after the
20 disassociation or dissolution. The remaining general partner or
21 partners must apply for and obtain a new license to undertake new
22 work and to continue contracting after the continuance expires.

23 (d) The general partner or partners shall notify the registrar in
24 writing within 90 days of the death of a limited partner. Failure to
25 notify the registrar within 90 days of the death is grounds for
26 disciplinary action.

27 The death of a limited partner will not affect the partnership
28 license unless the partnership license has only one limited partner.
29 In this case, the license will be canceled upon the death of the
30 limited partner unless a new limited partner is added to the license
31 within 90 days of the death.

32 If the license is canceled, the remaining general partner or
33 partners may request a continuance of the license to complete
34 projects in progress and to undertake new work for a reasonable
35 amount of time to be determined by rules of the board. The request
36 for a continuance must be made in writing and received at the
37 board's headquarters office within 90 days after the death. The
38 remaining general partner or partners must apply for and obtain a
39 new license to continue contracting after the continuance expires.

1 (e) The general partner or partners shall notify the registrar in
2 writing within 90 days of the disassociation of a limited partner.
3 Failure to notify the registrar of the disassociation, within 90 days,
4 shall cause the disassociation to be effective the date the written
5 notification is received at the board's headquarters office. Failure
6 to notify the registrar within 90 days of the disassociation is
7 grounds for disciplinary action.

8 The disassociation of a limited partner will not affect the
9 partnership license unless the partnership license has only one
10 limited partner. In this case, the license will be canceled upon the
11 disassociation of the limited partner unless a new limited partner
12 is added to the license within 90 days of the disassociation. If the
13 license is canceled, the remaining general partner or partners may
14 request a continuance of the license to complete projects contracted
15 for or in progress prior to the date of disassociation for a reasonable
16 amount of time to be determined by rules of the board. The request
17 for a continuance must be made in writing and received at the
18 board's headquarters office within 90 days after the death. The
19 remaining general partner or partners must apply for and obtain a
20 new license to undertake new work and to continue contracting
21 after the continuance expires.

22 (f) A joint venture license shall be canceled upon the
23 cancellation, revocation, or disassociation of any of its entity
24 licenses or upon the dissolution of the joint venture. The registrar
25 shall be notified in writing within 90 days of the disassociation of
26 a joint venture entity or dissolution of the joint venture. Failure to
27 notify the registrar of the disassociation or dissolution within 90
28 days shall cause the license to be canceled effective the date the
29 written notification is received at the board's headquarters office.
30 Failure to notify the registrar within 90 days of the disassociation
31 or dissolution is grounds for disciplinary action.

32 Any remaining entity or entities may request a continuance of
33 the license to complete projects contracted for or in progress prior
34 to the date of disassociation or dissolution for a reasonable amount
35 of time to be determined by rules of the board. The request for a
36 continuance must be made in writing and received at the board's
37 headquarters office within 90 days of the disassociation or
38 dissolution. The remaining entity or entities must apply for and
39 obtain a new license to undertake new work and to continue
40 contracting after the continuance expires.

1 (g) Any individual, partnership, or joint venture license
2 continued in accordance with this section is subject to all other
3 provisions of this chapter.

4 (h) A corporation license shall be canceled upon the
5 corporation's dissolution, merger, or surrender of its right to do
6 business in this state. The corporation shall notify the registrar in
7 writing within 90 days of the dissolution, merger, or surrender.
8 Failure to notify the registrar of the dissolution, merger, or
9 surrender within 90 days shall cause the license to be canceled
10 effective the date written notification is received at the board's
11 headquarters office. If the corporation fails to notify the board of
12 the dissolution, merger, or surrender, the corporation license shall
13 be canceled 60 days after the board's discovery when researching
14 the corporate records of the Secretary of State. Failure to notify
15 the registrar within 90 days of the dissolution, merger, or surrender
16 is grounds for disciplinary action.

17 (i) *A limited liability company license shall be canceled upon*
18 *the company's dissolution, merger, or surrender of its right to do*
19 *business in this state. The limited liability company shall notify*
20 *the registrar in writing within 90 days of the dissolution, merger,*
21 *or surrender. Failure to notify the register of the dissolution,*
22 *merger, or surrender within 90 days shall cause the license to be*
23 *canceled effective the date written notification is received at the*
24 *board's headquarters office. If the limited liability company fails*
25 *to notify the board of the dissolution, merger, or surrender, the*
26 *limited liability company license shall be canceled 60 days after*
27 *the board's discovery when researching the records of the*
28 *Secretary of State. Failure to notify the registrar within 90 days*
29 *of the dissolution, merger, or surrender is grounds for disciplinary*
30 *action.*

31 (†)

32 (j) The registrar shall review and accept the petition of a licensee
33 who disputes the date of cancellation upon a showing of good
34 cause. This petition shall be received within 90 days of the board's
35 official notice of cancellation.

36 SEC. 21. Section 7076.2 of the Business and Professions Code
37 is amended to read:

38 7076.2. Notwithstanding any other provision of law, the failure
39 of a contractor licensed to do business as a corporation *or a limited*
40 *liability company* in this state to be registered and in good standing

1 with the Secretary of State after notice from the registrar shall
2 result in the automatic suspension of the ~~corporate~~ license by
3 operation of law. The registrar shall notify the ~~corporate~~ licensee
4 in writing of its failure to be registered and in good standing with
5 the Secretary of State and that the licensee shall be suspended 30
6 days from the date of the notice if the ~~corporate~~ licensee does not
7 provide proof satisfactory to the registrar that it is properly
8 registered and in good standing with the Secretary of State.
9 Reinstatement may be made at any time following the suspension
10 by providing proof satisfactory to the registrar that the ~~corporate~~
11 license is properly registered and in good standing.

12 SEC. 22. Section 7085.6 of the Business and Professions Code
13 is amended to read:

14 7085.6. (a) (1) The failure of a licensee to comply with an
15 arbitration award rendered under this article shall result in the
16 automatic suspension of a license by operation of law.

17 (2) The registrar shall notify the licensee by certified mail of
18 the failure to comply with the arbitrator's award, and that the
19 license shall be automatically suspended 30 calendar days from
20 the date of that notice.

21 (3) The licensee may appeal the suspension for noncompliance
22 within 15 calendar days after service of the notice by written notice
23 to the registrar.

24 (4) Reinstatement may be made at any time following the
25 suspension by complying with the arbitrator's award and the final
26 order of the registrar. If no reinstatement of the license is made
27 within 90 days of the date of the automatic suspension, the license
28 and any other contractors' license issued to the licensee shall be
29 automatically revoked by operation of law for a period to be
30 determined by the registrar pursuant to Section 7102.

31 (5) The registrar may delay, for good cause, the revocation of
32 a contractor's license for failure to comply with the arbitration
33 award. The delay in the revocation of the license shall not exceed
34 one year. When seeking a delay of the revocation of his or her
35 license, a licensee shall apply to the registrar in writing prior to
36 the date of the revocation of the licensee's license by operation of
37 law and state the reasons that establish good cause for the delay.
38 The registrar's power to grant a delay of the revocation shall expire
39 upon the effective date of the revocation of the licensee's license
40 by operation of law.

1 (b) The licensee shall be automatically prohibited from serving
2 as an officer, director, associate, partner, *manager*, or qualifying
3 individual of another licensee, for the period determined by the
4 registrar and the employment, election, or association of that person
5 by another licensee shall constitute grounds for disciplinary action.
6 ~~Any~~ A qualifier disassociated pursuant to this section shall be
7 replaced within 90 days from the date of disassociation. Upon
8 failure to replace the qualifier within 90 days of the disassociation,
9 the license of the other licensee shall be automatically suspended
10 or the qualifier's classification removed at the end of the 90 days.

11 SEC. 23. Section 7090.1 of the Business and Professions Code
12 is amended to read:

13 7090.1. (a) (1) Notwithstanding any other provisions of law,
14 the failure to pay a civil penalty, or to comply with an order of
15 correction or an order to pay a specified sum to an injured party
16 in lieu of correction once the order has become final, shall result
17 in the automatic suspension of a license by operation of law 30
18 days after noncompliance with the terms of the order.

19 (2) The registrar shall notify the licensee in writing of the failure
20 to comply with the final order and that the license shall be
21 suspended 30 days from the date of the notice.

22 (3) The licensee may contest the determination of
23 noncompliance within 15 days after service of the notice, by written
24 notice to the registrar. Upon receipt of the written notice, the
25 registrar may reconsider the determination and after reconsideration
26 may affirm or set aside the suspension.

27 (4) Reinstatement may be made at any time following the
28 suspension by complying with the final order of the citation. If no
29 reinstatement of the license is made within 90 days of the date of
30 the automatic suspension, the cited license and any other
31 contractors' license issued to the licensee shall be automatically
32 revoked by operation of law for a period to be determined by the
33 registrar pursuant to Section 7102.

34 (5) The registrar may delay, for good cause, the revocation of
35 a contractor's license for failure to comply with the final order of
36 the citation. The delay in the revocation of the license shall not
37 exceed one year. When seeking a delay of the revocation of his or
38 her license, a licensee shall apply to the registrar in writing prior
39 to the date of the revocation of the licensee's license by operation
40 of law and state the reasons that establish good cause for the delay.

1 The registrar’s power to grant a delay of the revocation shall expire
 2 upon the effective date of the revocation of the licensee’s license
 3 by operation of law.

4 (b) The cited licensee shall also be automatically prohibited
 5 from serving as an officer, director, associate, partner, *manager*,
 6 or qualifying individual of another licensee, for the period
 7 determined by the registrar, and the employment, election, or
 8 association of that person by a licensee shall constitute grounds
 9 for disciplinary action. ~~Any~~ A qualifier disassociated pursuant to
 10 this section shall be replaced within 90 days of the date of
 11 disassociation. Upon failure to replace the qualifier within 90 days
 12 of the prohibition, the license of the other licensee shall be
 13 automatically suspended or the qualifier’s classification removed
 14 at the end of the 90 days.

15 SEC. 24. Section 7096 of the Business and Professions Code
 16 is amended to read:

17 7096. For the purposes of this chapter, the term “licensee” shall
 18 include an individual, copartnership, corporation, *limited liability*
 19 *company*, joint venture, or any combination or organization
 20 licensed under this chapter, and shall also include any named
 21 responsible managing officer, *responsible managing manager*, or
 22 ~~member of the personnel of such~~ *that* licentiate whose appearance
 23 has qualified the licentiate under the provisions of Section 7068.

24 SEC. 25. Section 7121 of the Business and Professions Code
 25 is amended to read:

26 7121. ~~Any~~ A person who has been denied a license for a reason
 27 other than failure to document sufficient satisfactory experience
 28 for a supplemental classification for an existing license, or who
 29 has had his or her license revoked, or whose license is under
 30 suspension, or who has failed to renew his or her license while it
 31 was under suspension, or who has been a ~~member~~, *partner*, officer,
 32 director, *manager*, or associate of any partnership, corporation,
 33 *limited liability company*, firm, or association whose application
 34 for a license has been denied for a reason other than failure to
 35 document sufficient satisfactory experience for a supplemental
 36 classification for an existing license, or whose license has been
 37 revoked, or whose license is under suspension, or who has failed
 38 to renew a license while it was under suspension, and while acting
 39 as a ~~member~~, *partner*, officer, director, *manager*, or associate had
 40 knowledge of or participated in any of the prohibited acts for which

1 the license was denied, suspended, or revoked, shall be prohibited
2 from serving as an officer, director, associate, partner, *manager*,
3 or qualifying individual of a licensee, and the employment,
4 election, or association of this type of person by a licensee in any
5 capacity other than as a nonsupervising bona fide employee shall
6 constitute grounds for disciplinary action.

7 SEC. 26. Section 7121.1 of the Business and Professions Code
8 is amended to read:

9 7121.1. Notwithstanding any other provision of this chapter,
10 the disassociation of ~~any member, a partner,~~ officer, director,
11 ~~manager,~~ or associate from the license of ~~any a~~ partnership,
12 corporation, *limited liability company*, firm, or association whose
13 license has been cited pursuant to Section 7099 shall not relieve
14 the ~~member, partner,~~ officer, director, *manager*, or associate from
15 responsibility for complying with the citation if he or she had
16 knowledge of, or participated in, any of the prohibited acts for
17 which the citation was issued. Section 7121 shall apply to ~~any~~
18 ~~member, a partner,~~ officer, director, *manager*, or associate of a
19 licensee that fails to comply with a citation after it is final.

20 SEC. 27. Section 7121.5 of the Business and Professions Code
21 is amended to read:

22 7121.5. ~~Any~~A person who was the qualifying individual on a
23 revoked license, or of a license under suspension, or of a license
24 that was not renewed while it was under suspension, shall be
25 prohibited from serving as an officer, director, associate, partner,
26 *manager*, or qualifying individual of a licensee, whether or not the
27 individual had knowledge of or participated in the prohibited acts
28 or omissions for which the license was revoked, or suspended, and
29 the employment, election, or association of ~~such that~~ that person by a
30 licensee shall constitute grounds for disciplinary action.

31 SEC. 28. Section 7121.6 of the Business and Professions Code
32 is amended to read:

33 7121.6. (a) An individual who meets all of the following
34 criteria shall not perform any act regulated under this chapter for
35 or on behalf of a licensee, other than as a bona fide nonsupervising
36 employee:

37 (1) The individual was ~~a member,~~ an officer, director, owner,
38 *manager*, or partner of a license that was revoked.

39 (2) The individual had knowledge of or participated in any act
40 or omission for which the license was revoked.

1 (3) The individual is not eligible for reinstatement for licensure
2 under Section 7102.

3 (b) An individual who meets all of the following criteria shall
4 not perform any act regulated under this chapter for or on behalf
5 of a licensee, other than as a bona fide nonsupervising employee:

6 (1) The individual furnished the qualifications for licensure, as
7 set forth under Section 7068, and that license was revoked.

8 (2) The individual served in the capacity of the qualifying
9 individual during the commission or omission of any of the acts
10 that resulted in the revocation of the license, whether or not he or
11 she had knowledge of or participated in those acts.

12 (3) The individual is not eligible for reinstatement for licensure
13 under Section 7102.

14 (c) A violation of this section is a misdemeanor punishable by
15 a fine of not less than four thousand five hundred dollars (\$4,500),
16 by imprisonment in a county jail for not less than 90 days nor more
17 than one year, or by both the fine and imprisonment. The penalty
18 provided by this subdivision is cumulative to the penalties available
19 under other laws of this state.

20 (d) Notwithstanding any other provision of law to the contrary,
21 an indictment for any violation of this section shall be found or an
22 information or complaint filed within four years from the
23 performance of any act that is prohibited under this section.

24 SEC. 29. Section 7122 of the Business and Professions Code
25 is amended to read:

26 7122. The performance by ~~any~~ *an* individual, partnership,
27 corporation, *limited liability company*, firm, or association of ~~any~~
28 *an* act or omission constituting a cause for disciplinary action,
29 likewise constitutes a cause for disciplinary action against ~~any~~ *a*
30 licensee other than the individual qualifying on behalf of the
31 individual or entity, if the licensee was a ~~member~~, *partner*, officer,
32 director, *manager*, or associate of ~~such that~~ individual, partnership,
33 corporation, *limited liability company*, firm, or association at the
34 time ~~such~~ *the* act or omission occurred, and had knowledge of or
35 participated in ~~such~~ *the* prohibited act or omission.

36 SEC. 30. Section 7122.1 of the Business and Professions Code
37 is amended to read:

38 7122.1. Notwithstanding Section 7068.2 or any other provision
39 of this chapter, the disassociation of ~~any~~ *a* qualifying ~~partner~~,
40 ~~responsible managing officer~~, or ~~responsible managing employee~~

1 *individual* from a license after the act or omission has occurred
2 that resulted in a citation pursuant to Section 7099 shall not relieve
3 the qualifying ~~partner, responsible managing officer, or responsible~~
4 ~~managing employee~~ *individual* from responsibility for complying
5 with the citation. Section 7122.5 shall apply to ~~any a~~ qualifying
6 ~~partner, responsible managing officer, or responsible managing~~
7 ~~employee~~ *individual* of a licensee that fails to comply with a
8 citation after it is final.

9 SEC. 31. Section 7122.2 of the Business and Professions Code
10 is amended to read:

11 7122.2. (a) Notwithstanding Section 7068.2 or any other
12 provisions of this chapter, the disassociation of ~~any a~~ qualifying
13 ~~partner, responsible managing officer, or responsible managing~~
14 ~~employee~~ *individual* from a license that has been referred to
15 arbitration pursuant to Section 7085 shall not relieve the qualifying
16 ~~partner, responsible managing officer, or responsible managing~~
17 ~~employee~~ *individual* from the responsibility of complying with an
18 arbitration award rendered as a result of acts or omissions
19 committed while acting as the qualifying ~~partner, responsible~~
20 ~~managing officer, or responsible managing employee~~ *individual*
21 for the license as provided under Sections 7068 and 7068.1.

22 (b) Section 7122.5 shall apply to ~~any a~~ qualifying ~~partner,~~
23 ~~responsible managing officer, or responsible managing employee~~
24 *individual* of a licensee that fails to comply with an arbitration
25 award once it is rendered.

26 SEC. 32. Section 7122.5 of the Business and Professions Code
27 is amended to read:

28 7122.5. The performance by ~~any an~~ individual, partnership,
29 corporation, *limited liability company*, firm, or association of ~~any~~
30 ~~an~~ act or omission constituting a cause for disciplinary action,
31 likewise constitutes a cause for disciplinary action against ~~any a~~
32 licensee who at the time ~~such that the~~ act or omission occurred
33 was the ~~responsible managing employee, qualifying partner,~~
34 ~~responsible managing officer, or qualifying member~~ *individual* of
35 ~~such that~~ individual, partnership, corporation, *limited liability*
36 *company*, firm, or association, whether or not he *or she* had
37 knowledge of or participated in the prohibited act or omission.

38 SEC. 33. Section 7137 of the Business and Professions Code
39 is amended to read:

1 7137. The board shall set fees by regulation. These fees shall
2 not exceed the following schedule:

3 (a) The application fee for an original license in a single
4 classification shall not be more than three hundred dollars (\$300).

5 The application fee for each additional classification applied for
6 in connection with an original license shall not be more than
7 seventy-five dollars (\$75).

8 The application fee for each additional classification pursuant
9 to Section 7059 shall not be more than seventy-five dollars (\$75).

10 The application fee to replace a responsible managing officer,
11 *responsible managing manager*, or *responsible managing* employee
12 pursuant to Section 7068.2 shall not be more than seventy-five
13 dollars (\$75).

14 (b) The fee for rescheduling an examination for an applicant
15 who has applied for an original license, additional classification,
16 a change of responsible managing officer, *responsible managing*
17 *manager*, or responsible managing employee, or for an asbestos
18 certification or hazardous substance removal certification, shall
19 not be more than sixty dollars (\$60).

20 (c) The fee for scheduling or rescheduling an examination for
21 a licensee who is required to take the examination as a condition
22 of probation shall not be more than sixty dollars (\$60).

23 (d) The initial license fee for an active or inactive license shall
24 not be more than one hundred eighty dollars (\$180).

25 (e) The renewal fee for an active license shall not be more than
26 three hundred sixty dollars (\$360).

27 The renewal fee for an inactive license shall not be more than
28 one hundred eighty dollars (\$180).

29 (f) The delinquency fee is an amount equal to 50 percent of the
30 renewal fee, if the license is renewed after its expiration.

31 (g) The registration fee for a home improvement salesperson
32 shall not be more than seventy-five dollars (\$75).

33 (h) The renewal fee for a home improvement salesperson
34 registration shall not be more than seventy-five dollars (\$75).

35 (i) The application fee for an asbestos certification examination
36 shall not be more than seventy-five dollars (\$75).

37 (j) The application fee for a hazardous substance removal or
38 remedial action certification examination shall not be more than
39 seventy-five dollars (\$75).

1 SEC. 34. Section 7138 of the Business and Professions Code
2 is amended to read:

3 7138. Notwithstanding any other provision of law, ~~any~~ a fee
4 paid in connection with ~~any~~ a service or application covered by
5 Section 7137 shall ~~accrete~~ *accrue* to the Contractors' License Fund
6 as an earned fee and shall not be refunded.

7 SEC. 35. Section 7152 of the Business and Professions Code
8 is amended to read:

9 7152. (a) "Home improvement salesperson" is a person
10 employed by a home improvement contractor licensed under this
11 chapter to solicit, sell, negotiate, or execute contracts for home
12 improvements, for the sale, installation or furnishing of home
13 improvement goods or services, or of swimming pools, spas, or
14 hot tubs.

15 (b) The following shall not be required to be registered as home
16 improvement salespersons:

17 (1) An officer of record of a corporation licensed pursuant to
18 this chapter, *or a manager of record of a limited liability company*
19 *licensed pursuant to this chapter.*

20 (2) A general partner listed on the license record of a partnership
21 licensed pursuant to this chapter.

22 (3) A qualifying person, as defined in Section ~~7068~~ 7025.

23 (4) A salesperson whose sales are all made pursuant to
24 negotiations between the parties if the negotiations are initiated
25 by the prospective buyer at or with a general merchandise retail
26 establishment that operates from a fixed location where goods or
27 services are offered for sale.

28 (5) A person who contacts the prospective buyer for the
29 exclusive purpose of scheduling appointments for a registered
30 home improvement salesperson.

31 (6) A bona fide service repairperson who is in the employ of a
32 licensed contractor and whose repair or service call is limited to
33 the service, repair, or emergency repair initially requested by the
34 buyer of the service.

35 (c) The exemption to registration provided under paragraphs
36 (1), (2), and (3) of subdivision (b) shall apply only to those
37 individuals who, at the time of the sales transaction, are listed as
38 personnel of record for the licensee responsible for soliciting,
39 negotiating, or contracting for a service or improvement that is
40 subject to regulation under this article.

1 SEC. 36. Section 17002 of the Corporations Code is amended
2 to read:

3 17002. (a) Subject to any limitations contained in the articles
4 of organization and to compliance with any other applicable laws,
5 a limited liability company may engage in any lawful business
6 activity, whether or not for profit, except the banking business,
7 the business of issuing policies of insurance and assuming
8 insurance risks, or the trust company business.

9 (b) Notwithstanding subdivision (a) and as specifically provided
10 in this subdivision, a limited liability company may operate as a
11 health care service plan licensed pursuant to Chapter 2.2
12 (commencing with Section 1340) of Division 2 of the Health and
13 Safety Code if the limited liability company is a subsidiary of a
14 health care service plan licensed pursuant to those provisions and
15 the limited liability company is established to serve an existing
16 line of business of the parent health care service plan.
17 Notwithstanding any other provision of law, the tort or contract
18 liability of a limited liability company created to operate as a health
19 care service plan under this subdivision and its members is not
20 limited or restricted in any manner because of the limited liability
21 company status of the health care service plan.

22 (c) *A limited liability company may render occupational,*
23 *nonprofessional services that may be lawfully rendered only*
24 *pursuant to a license, certification, or registration authorized by*
25 *the Business and Professions Code if the applicable provisions of*
26 *the Business and Professions Code identify those services as*
27 *occupational, nonprofessional services and authorize a limited*
28 *liability company to hold that license, certification, or registration.*

29 SEC. 37. No reimbursement is required by this act pursuant to
30 Section 6 of Article XIII B of the California Constitution because
31 the only costs that may be incurred by a local agency or school
32 district will be incurred because this act creates a new crime or
33 infraction, eliminates a crime or infraction, or changes the penalty
34 for a crime or infraction, within the meaning of Section 17556 of
35 the Government Code, or changes the definition of a crime within
36 the meaning of Section 6 of Article XIII B of the California
37 Constitution.

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