

Introduced by Senator FlorezFebruary 26, 2009

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, 7071.11, 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, 7152, 7159, and 7159.10 of, and to add Section 7071.19 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 392, as introduced, Florez. 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 services lawfully rendered only pursuant to a specified license, certificate, or registration if the provisions governing that license, certificate, or registration authorize a limited liability company to hold that license, certificate, or registration. The bill would authorize the issuance of a contractor's license to a limited liability company and would authorize the responsible managing manager, responsible managing officer, or responsible managing employee of the limited liability company to qualify for that license. The bill would require the limited liability company to provide security for claims against it, as specified, as a condition of licensure, and would require the licensed limited liability company to provide a notice concerning that security in certain contracts, as specified. 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 contractor's 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 current 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 immediate 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 7028.5 of the Business and Professions Code
11 is amended to read:

12 7028.5. It is unlawful for ~~any~~ a person who is or has been a
13 ~~member~~ partner, officer, director, *manager, responsible managing*
14 *employee, responsible managing manager,* or responsible managing
15 officer of a licensed copartnership, corporation, *limited liability*
16 *company*, firm, association or other organization to individually
17 engage in the business or individually act in the capacity of a
18 contractor within this ~~State~~ *state* without having a license in good
19 standing to so engage or act.

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

1 7029. A joint venture license is a license issued to any
2 combination of individuals, corporations, *limited liability*
3 *companies*, partnerships, or other joint ventures, each of which
4 holds a current, active license in good standing. A joint venture
5 license may be issued in any classification in which at least one
6 of the entities is licensed. An active joint venture license shall be
7 automatically suspended by operation of law during any period in
8 which any member of the entity does not hold a current, active
9 license in good standing.

10 SEC. 4. Section 7065 of the Business and Professions Code is
11 amended to read:

12 7065. Under rules and regulations adopted by the board and
13 approved by the director, the registrar shall investigate, classify,
14 and qualify applicants for ~~contractors'~~ *contractors'* licenses by
15 written examination. This examination shall include questions
16 designed to show that the applicant has the necessary degree of
17 knowledge required by Section 7068 and shall include pertinent
18 questions relating to the laws of this state, and the contracting
19 business and trade. ~~Contractors'~~ *Contractors'* licenses are to be
20 issued to individual owners, copartnerships, ~~and~~ corporations, *and*
21 *limited liability companies*. An individual owner may qualify by
22 examination for a ~~contractor's~~ *contractor's* license upon the
23 appearance of the owner or a qualifying individual appearing as a
24 responsible managing employee on behalf of the owner. A
25 copartnership may qualify by examination for a ~~contractor's~~
26 *contractor's* license upon the appearance of a copartner or a
27 qualifying individual appearing as a responsible managing
28 employee *on behalf of the copartnership*. A corporation may
29 qualify by examination for a ~~contractor's~~ *contractor's* license upon
30 the appearance of a qualifying individual appearing either as a
31 responsible managing officer or a responsible managing employee
32 *on behalf of the corporation*. A *limited liability company* may
33 *qualify by examination for a contractor's license upon the*
34 *appearance of a qualifying individual appearing as a responsible*
35 *managing officer, a responsible managing manager, or a*
36 *responsible managing employee on behalf of the company*. No
37 examination shall be required of a qualifying individual if, within
38 the five-year period immediately preceding the application for
39 licensure, the qualifying individual has either personally passed
40 the written examination for the same classification being applied

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

5 SEC. 5. Section 7065.1 of the Business and Professions Code
6 is amended to read:

7 7065.1. Notwithstanding Section 7065, the registrar may waive
8 the examination for a ~~contractor's~~ *contractor's* license under any
9 of the following circumstances:

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

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

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

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

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

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

34 (1) For five of the seven years immediately preceding the
35 application for licensure, the qualifying individual has been
36 continually employed by the corporation *or limited liability*
37 *company* in a supervisory capacity in the same classifications being
38 applied for.

39 (2) For five of the seven years immediately preceding the
40 application for licensure, the corporation *or limited liability*

1 *company* has held an active license in good standing in the same
2 classifications being applied for.

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

5 For purposes of this section, employees of a corporation *or*
6 *limited liability company* shall include, but not be limited to, the
7 officers of a corporation *and the officers and managers of a limited*
8 *liability company*.

9 SEC. 6. Section 7065.5 of the Business and Professions Code
10 is amended to read:

11 7065.5. No license shall be issued to a minor, nor to any
12 copartnership a ~~member~~ *partner* of which is a minor, nor to any
13 corporation any officer, director or responsible managing employee
14 of which is a minor, nor to any *limited liability company* any
15 *officer, manager, or responsible managing employee of which is*
16 *a minor, nor to any* other kind of business organization in which
17 a minor holds a responsible official position, unless ~~such~~ *the* minor
18 shall first have had a guardian appointed by a court of competent
19 jurisdiction.

20 SEC. 7. Section 7068 of the Business and Professions Code is
21 amended to read:

22 7068. (a) The board shall require an applicant to show ~~such~~
23 *the* degree of knowledge and experience in the classification
24 applied for, and ~~such~~ *the* general knowledge of the building, safety,
25 health, and lien laws of the state and of the administrative principles
26 of the contracting business ~~as~~ *that* the board deems necessary for
27 the safety and protection of the public.

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

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

34 (2) If a copartnership or a limited partnership, it shall qualify
35 by the appearance of a general partner or by the appearance of a
36 responsible managing employee who is qualified for the same
37 license classification as the classification being applied for.

38 (3) If a corporation, or any other combination or organization,
39 it shall qualify by the appearance of a responsible managing officer

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

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

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

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

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

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

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

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

38 SEC. 8. Section 7068.1 of the Business and Professions Code
39 is amended to read:

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

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

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

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

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

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

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

29 The board shall require every applicant or licensee qualifying
30 by the appearance of a qualifying individual to submit detailed
31 information on the qualifying individual's duties and
32 responsibilities for supervision and control of the applicant's
33 construction operations.

34 SEC. 9. Section 7068.2 of the Business and Professions Code
35 is amended to read:

36 7068.2. If the responsible managing officer ~~or~~, responsible
37 managing employee, *or responsible managing manager*,
38 disassociates from the licensed entity, the licensee, or the qualifier
39 shall notify the registrar in writing, and the licensee shall replace
40 the qualifier, within 90 days from the date of disassociation.

1 To replace a responsible managing officer—~~or~~, responsible
2 managing employee, *or responsible managing manager*, the
3 licensee shall file an application as prescribed by the registrar,
4 accompanied by the fee fixed by this chapter, designating an
5 individual to qualify as required by this chapter.

6 Upon failure to replace the qualifier within 90 days of the
7 disassociation the license shall be automatically suspended or the
8 classification removed at the end of the 90 days.

9 The registrar may review and accept the petition of a licensee
10 who disputes the date of disassociation or who has failed to notify
11 and replace the qualifier within the prescribed time, upon a showing
12 of good cause by the contractor. This petition shall be received
13 within 90 days from the date of the board’s notice that the license
14 will be suspended if the qualifier is not replaced. The registrar may
15 grant only one 90-day extension to replace the qualifier.

16 Upon failure of the licensee or the qualifier to notify the registrar
17 of the disassociation within 90 days from the date of disassociation,
18 the license shall be automatically suspended or the classification
19 removed and the qualifier removed from the license effective the
20 date the written notification is received at the board’s headquarters
21 office.

22 The person qualifying on behalf of ~~an individual or firm~~ *a*
23 *licensee* under ~~subdivision (a), (b), or (c)~~ of Section 7068 shall be
24 responsible for the licensee’s construction operations until the
25 board receives the written notification of disassociation.

26 Failure of the licensee or the qualifier to notify the registrar of
27 the qualifier’s disassociation within 90 days of the disassociation
28 is grounds for disciplinary action.

29 SEC. 10. Section 7069 of the Business and Professions Code
30 is amended to read:

31 7069. (a) An applicant, and each officer, director, partner,
32 *manager*, associate, and responsible managing employee thereof,
33 shall not have committed acts or crimes that are grounds for denial
34 of licensure under Section 480.

35 (b) As part of an application for a contractor’s license, the board
36 shall require an applicant to furnish a full set of fingerprints for
37 purposes of conducting a criminal history record check.
38 Fingerprints furnished pursuant to this subdivision shall be
39 submitted in an electronic format if readily available. Requests for
40 alternative methods of furnishing fingerprints are subject to the

1 approval of the registrar. The board shall use the fingerprints
 2 furnished by an applicant to obtain criminal history information
 3 on the applicant from the Department of Justice and the United
 4 States Federal Bureau of Investigation, and the board may obtain
 5 any subsequent arrest information that is available.

6 SEC. 11. Section 7071 of the Business and Professions Code
 7 is amended to read:

8 7071. No license shall be issued to a corporation, copartnership,
 9 *limited liability company*, or other combination or organization if
 10 ~~any~~ a responsible officer or director of ~~such~~ the corporation, or
 11 other combination or organization, or ~~any member~~ a partner of
 12 ~~such~~ the copartnership, or a manager or officer of the *limited*
 13 *liability company* does not meet the qualifications required of an
 14 applicant other than those qualifications relating to knowledge and
 15 experience.

16 SEC. 12. Section 7071.8 of the Business and Professions Code
 17 is amended to read:

18 7071.8. (a) This section applies to an application for a license,
 19 for renewal or restoration of a license, an application to change
 20 officers of a corporation or a *limited liability company*, or for
 21 continued valid use of a license which has been disciplined,
 22 whether or not the disciplinary action has been stayed, made by
 23 any of the following persons or firms:

24 (1) ~~Any~~ A person whose license has been suspended or revoked
 25 as a result of disciplinary action, or ~~any~~ a person who was a
 26 qualifying individual for a licensee at any time during which cause
 27 for disciplinary action occurred resulting in suspension or
 28 revocation of the licensee's license, whether or not the qualifying
 29 individual had knowledge or participated in the prohibited act or
 30 omission.

31 (2) ~~Any~~ A person who was an officer, director, ~~member~~
 32 *manager*, or partner of a licensee at any time during which cause
 33 for disciplinary action occurred resulting in suspension or
 34 revocation of the licensee's license and who had knowledge of or
 35 participated in the act or omission which was the cause for the
 36 disciplinary action.

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

1 (4) ~~Any~~A partnership, corporation, *limited liability company*,
2 firm, or association of which ~~any~~ an officer, director, ~~member~~
3 *manager*, partner, or qualifying person was a ~~member~~ *manager*,
4 officer, director, or partner of a licensee at any time during which
5 cause for disciplinary action occurred resulting in suspension or
6 revocation of the license, and who had knowledge of or participated
7 in the act or omission which was the cause for the disciplinary
8 action.

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

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

31 SEC. 13. Section 7071.9 of the Business and Professions Code
32 is amended to read:

33 7071.9. (a) If the qualifying individual, as referred to in
34 Sections 7068 and 7068.1, is neither the proprietor, a general
35 partner, nor a joint licensee, he or she shall file or have on file a
36 qualifying individual's bond as provided in Section 7071.10 in the
37 sum of twelve thousand five hundred dollars (\$12,500). This bond
38 is in addition to, and may not be combined with, any contractor's
39 bond required by Sections 7071.5 to 7071.8, inclusive, and is

1 required for the issuance, reinstatement, reactivation, or continued
2 valid use of a license.

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

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

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

28 SEC. 14. Section 7071.11 of the Business and Professions
29 Code is amended to read:

30 7071.11. (a) The aggregate liability of a surety on a claim for
31 wages and fringe benefits brought against ~~any~~ a bond required by
32 this article, other than a bond required by Section 7071.8, shall
33 not exceed the sum of four thousand dollars (\$4,000). ~~If any~~ a
34 bond required by this article is insufficient to pay all claims in full,
35 the sum of the bond shall be distributed to all claimants in
36 proportion to the amount of their respective claims.

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

1 (c) Except for claims covered by subdivision (d), any action
2 against a bond required under this article, excluding the judgment
3 bond specified under Section 7071.17, shall be brought in
4 accordance with the following:

5 (1) Within two years after the expiration of the license period
6 during which the act or omission occurred. The provisions of this
7 paragraph shall be applicable only if the license has not been
8 inactivated, canceled, or revoked during the license period for
9 which the bond was posted and accepted by the registrar as
10 specified under Section 7071.7.

11 (2) If the license has been inactivated, canceled, or revoked, an
12 action shall be brought within two years of the date the license of
13 the active licensee would have expired had the license not been
14 inactivated, canceled, or revoked. For the provisions of this
15 paragraph to be applicable, the act or omission for which the action
16 is filed must have occurred prior to the date the license was
17 inactivated, canceled, or revoked.

18 (3) An action against a disciplinary bond filed by an active
19 licensee pursuant to Section 7071.8 shall be brought in accordance
20 with the provisions of paragraph (1) or (2), as applicable, or within
21 two years after the last date for which a disciplinary bond filed
22 pursuant to Section 7071.8 was required, whichever date is first.

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

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

- 34 (1) The name and license number of the contractor.
35 (2) The surety bond number.
36 (3) The amount of payment.
37 (4) The statutory basis upon which the claim is made.
38 (5) The names of the person or persons to whom payments have
39 been made.

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

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

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

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

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

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

36 (h) The licensee may provide the board with a notarized copy
37 of an accord, reached with the surety to satisfy the debt in lieu of
38 full payment. By operation of law, failure to abide by the accord
39 shall result in the automatic suspension of ~~any~~ a license to which
40 this section applies. A license that is suspended for failure to abide

1 by the accord may only be renewed or reinstated when proof of
2 satisfaction of all debts is made.

3 (i) Legal fees may not be charged against the bond by the board.

4 SEC. 15. Section 7071.17 of the Business and Professions
5 Code is amended to read:

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

36 (b) Notwithstanding any other provision of law, all licensees
37 shall notify the registrar in writing of any unsatisfied final judgment
38 imposed on the licensee. If the licensee fails to notify the registrar
39 in writing within 90 days, the license shall be automatically
40 suspended on the date that the registrar is informed, or is made

1 aware of the unsatisfied final judgment. The suspension shall not
2 be removed until proof of satisfaction of the judgment, or in lieu
3 thereof, a notarized copy of an accord is submitted to the registrar.
4 If the licensee notifies the registrar in writing within 90 days of
5 the imposition of any unsatisfied final judgment, the licensee shall,
6 as a condition to the continual maintenance of the license, file or
7 have on file with the board a bond sufficient to guarantee payment
8 of an amount equal to all unsatisfied judgments applicable under
9 this section. The licensee has 90 days from date of notification by
10 the board to file the bond or at the end of the 90 days the license
11 shall be automatically suspended. In lieu of filing the bond required
12 by this section, the licensee may provide the board with a notarized
13 copy of any accord reached with any individual holding an
14 unsatisfied final judgment.

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

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

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

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

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

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

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

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

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

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

21 SEC. 16. Section 7071.19 is added to the Business and
22 Professions Code, to read:

23 7071.19. (a) As a condition of the issuance, reinstatement,
24 reactivation, or continued valid use of a license under this chapter,
25 in addition to any bond required under this article, a limited liability
26 company shall be required to provide security for claims as
27 described in this section. For claims based upon acts, errors, or
28 omissions arising out of the contracting services it provides, the
29 limited liability company shall comply with one, or pursuant to
30 subdivision (b) some combination, of the following:

31 (1) Maintain a policy or policies of insurance against liability
32 imposed on or against it by law for damages arising out of claims.
33 The total aggregate limit of liability under the policy or policies
34 of insurance shall be not less than one million dollars (\$1,000,000).
35 The policy or policies may be issued on a claims-made or
36 occurrence basis, and shall cover: (A) in the case of a claims-made
37 policy, claims initially asserted in the designated period, and (B)
38 in the case of an occurrence policy, occurrences during the
39 designated period. For purposes of this paragraph, “designated
40 period” means a policy year or any other period designated in the

1 policy that is not greater than 12 months. The impairment or
2 exhaustion of the aggregate limit of liability by amounts paid under
3 the policy in connection with the settlement, discharge, or defense
4 of claims applicable to a designated period shall not require the
5 company to acquire additional insurance coverage for that
6 designated period. The policy or policies of insurance may be in
7 a form reasonably available in the commercial insurance market
8 and may be subject to those terms, conditions, exclusions, and
9 endorsements that are typically contained in those policies. A
10 policy or policies of insurance maintained pursuant to this
11 subparagraph may be subject to a deductible or self-insured
12 retention.

13 Upon the dissolution and winding up of the company, the
14 company shall, with respect to any insurance policy or policies
15 then maintained pursuant to this paragraph, maintain or obtain an
16 extended reporting period endorsement or equivalent provision in
17 the maximum total aggregate limit of liability required to comply
18 with this paragraph for a minimum of three years if reasonably
19 available from the insurer.

20 (2) Maintain in trust or bank escrow, cash, bank certificates of
21 deposit, United States Treasury obligations, bank letters of credit,
22 or bonds of insurance or surety companies as security for payment
23 of liabilities imposed by law for damages arising out of all claims
24 in an amount of at least five hundred thousand dollars (\$500,000).
25 The company remains in compliance with this section during a
26 calendar year notwithstanding amounts paid during that calendar
27 year from the accounts, funds, Treasury obligations, letters of
28 credit, or bonds in defending, settling, or discharging claims of
29 the type described in this paragraph, provided that the amount of
30 those accounts, funds, Treasury obligations, letters of credit, or
31 bonds were at least the amount specified in the preceding sentence
32 as of the first business day of that calendar year. Notwithstanding
33 the pendency of other claims against the company, a limited
34 liability company shall be deemed to be in compliance with this
35 paragraph as to a claim if within 30 days after the time that a claim
36 is initially asserted through service of a summons, complaint, or
37 comparable pleading in a judicial or administrative proceeding,
38 the company has provided the required amount of security by
39 designating and segregating funds in compliance with the
40 requirements of this paragraph.

1 (b) For purposes of satisfying the security requirements of this
2 section, a limited liability company may aggregate the security
3 provided by it pursuant to paragraphs (1) and (2) of subdivision
4 (a).

5 (c) At the time of licensing pursuant to this article, a limited
6 liability company shall file with the registrar information, in the
7 manner prescribed by the registrar, and accompanied by all
8 documentation requested by the registrar, demonstrating
9 compliance with the financial security requirements of this section.

10 (d) If the security requirements of this section are satisfied
11 wholly, or in part, with an insurance policy, then a certification of
12 coverage shall be submitted to the commissioner by the licensee
13 or applicant, and signed by an authorized agent or employee of
14 the insurer. The certification of coverage shall be in a form
15 prescribed by the registrar.

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

18 7072.5. (a) Upon the issuance of a license, a plasticized pocket
19 card of a size, design, and content as may be determined by the
20 registrar shall be issued at no cost to each licensee, or to the
21 partners-~~or~~, *managers*, officers, or responsible managing-~~officer~~
22 *officers* of licensees licensed as other than individuals, which card
23 shall be evidence that the licensee is duly licensed pursuant to this
24 chapter. All cards issued shall be surrendered upon the suspension,
25 revocation, or denial of renewal of the license, and shall be mailed
26 or delivered to the board within five days of the suspension,
27 revocation, or denial.

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

33 SEC. 18. Section 7075.1 of the Business and Professions Code
34 is amended to read:

35 7075.1. (a) No license, regardless of type or classification,
36 shall be transferable to any other person or entity under any
37 circumstances.

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

1 (1) To an individual upon application.

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

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

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

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

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

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

28 ~~(2)~~

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

33 ~~(3)~~

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

38 ~~(4)~~

39 (5) To a corporation *or limited liability company* when the
40 corporation *or limited liability company* is formed by an individual

1 licensee and the individual licensee maintains ownership directly
2 or indirectly of shares *or membership interests* evidencing more
3 than 50 percent of the voting power.

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

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

13 SEC. 19. Section 7076 of the Business and Professions Code
14 is amended to read:

15 7076. (a) An individual license shall be canceled upon the
16 death of a person licensed as an individual. An immediate member
17 of the family of the deceased licensee may request a continuance
18 of the license to complete projects in progress and undertake new
19 work for a reasonable amount of time to be determined by rules
20 of the board. The request for a continuance must be made in writing
21 and received at the board's headquarters office within 90 days
22 after the death. Approval of the continuance of an individual license
23 may be contingent upon meeting the bond requirements of Sections
24 7071.5 and 7071.6 within 90 days of notification by the board of
25 that requirement. The immediate member of the family must apply
26 for and obtain his or her own license to continue contracting after
27 the continuance expires.

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

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

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

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

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

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

37 (e) The general partner or partners shall notify the registrar in
38 writing within 90 days of the disassociation of a limited partner.
39 Failure to notify the registrar of the disassociation, within 90 days,
40 shall cause the disassociation to be effective the date the written

1 notification is received at the board’s headquarters office. Failure
2 to notify the registrar within 90 days of the disassociation is
3 grounds for disciplinary action.

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

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

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

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

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

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

28 (i)

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

33 SEC. 20. Section 7076.2 of the Business and Professions Code
 34 is amended to read:

35 7076.2. Notwithstanding any other provision of law, the failure
 36 of a contractor licensed to do business as a corporation *or limited*
 37 *liability company* in this state to be registered and in good standing
 38 with the Secretary of State after notice from the registrar shall
 39 result in the automatic suspension of the ~~corporate~~ license by
 40 operation of law. The registrar shall notify the ~~corporate~~ licensee

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

9 SEC. 21. Section 7085.6 of the Business and Professions Code
10 is amended to read:

11 7085.6. (a) (1) The failure of a licensee to comply with an
12 arbitration award rendered under this article shall result in the
13 automatic suspension of a license by operation of law.

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

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

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

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

38 (b) The licensee shall be automatically prohibited from serving
39 as an officer, director, associate, partner, *manager*, or qualifying
40 individual of another licensee, for the period determined by the

1 registrar and the employment, election, or association of that person
2 by another licensee shall constitute grounds for disciplinary action.
3 ~~Any~~ A qualifier disassociated pursuant to this section shall be
4 replaced within 90 days from the date of disassociation. Upon
5 failure to replace the qualifier within 90 days of the disassociation,
6 the license of the other licensee shall be automatically suspended
7 or the qualifier's classification removed at the end of the 90 days.

8 SEC. 22. Section 7090.1 of the Business and Professions Code
9 is amended to read:

10 7090.1. (a) (1) Notwithstanding any other provisions of law,
11 the failure to pay a civil penalty, or to comply with an order of
12 correction or an order to pay a specified sum to an injured party
13 in lieu of correction once the order has become final, shall result
14 in the automatic suspension of a license by operation of law 30
15 days after noncompliance with the terms of the order.

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

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

24 (4) Reinstatement may be made at any time following the
25 suspension by complying with the final order of the citation. If no
26 reinstatement of the license is made within 90 days of the date of
27 the automatic suspension, the cited license and any other
28 contractors' license issued to the licensee shall be automatically
29 revoked by operation of law for a period to be determined by the
30 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 final order of
33 the citation. The delay in the revocation of the license shall not
34 exceed one year. When seeking a delay of the revocation of his or
35 her license, a licensee shall apply to the registrar in writing prior
36 to the date of the revocation of the licensee's license by operation
37 of 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 cited licensee shall also be automatically prohibited
2 from serving as an officer, director, associate, partner, *manager*,
3 or qualifying individual of another licensee, for the period
4 determined by the registrar, and the employment, election, or
5 association of that person by a licensee shall constitute grounds
6 for disciplinary action. ~~Any~~ A qualifier disassociated pursuant to
7 this section shall be replaced within 90 days of the date of
8 disassociation. Upon failure to replace the qualifier within 90 days
9 of the prohibition, the license of the other licensee shall be
10 automatically suspended or the qualifier's classification removed
11 at the end of the 90 days.

12 SEC. 23. Section 7096 of the Business and Professions Code
13 is amended to read:

14 7096. For the purposes of this chapter, the term "licensee" shall
15 include an individual, copartnership, corporation, *limited liability*
16 *company*, joint venture, or any combination or organization
17 licensed under this chapter, and shall also include any named
18 responsible managing officer ~~or member of the~~, *responsible*
19 *managing manager*, or personnel of ~~such that~~ licentiate whose
20 appearance has qualified the licentiate under the provisions of
21 Section 7068.

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

24 7121. ~~Any~~ A person who has been denied a license for a reason
25 other than failure to document sufficient satisfactory experience
26 for a supplemental classification for an existing license, or who
27 has had his or her license revoked, or whose license is under
28 suspension, or who has failed to renew his or her license while it
29 was under suspension, or who has been a ~~member~~ *partner*, officer,
30 director, *manager*, or associate of any partnership, corporation,
31 *limited liability company*, firm, or association whose application
32 for a license has been denied for a reason other than failure to
33 document sufficient satisfactory experience for a supplemental
34 classification for an existing license, or whose license has been
35 revoked, or whose license is under suspension, or who has failed
36 to renew a license while it was under suspension, and while acting
37 as a ~~member~~ *partner*, officer, director, *manager*, or associate had
38 knowledge of or participated in any of the prohibited acts for which
39 the license was denied, suspended, or revoked, shall be prohibited
40 from serving as an officer, director, associate, partner, *manager*,

1 or qualifying individual of a licensee, and the employment,
2 election, or association of this type of person by a licensee in any
3 capacity other than as a nonsupervising bona fide employee shall
4 constitute grounds for disciplinary action.

5 SEC. 25. Section 7121.1 of the Business and Professions Code
6 is amended to read:

7 7121.1. Notwithstanding any other provision of this chapter,
8 the disassociation of ~~any member~~ *a partner*, officer, director,
9 *manager*, or associate from the license of ~~any~~ *a* partnership,
10 corporation, *limited liability company*, firm, or association whose
11 license has been cited pursuant to Section 7099 shall not relieve
12 the ~~member~~ *partner*, officer, director, *manager*, or associate from
13 responsibility for complying with the citation if he or she had
14 knowledge of, or participated in, any of the prohibited acts for
15 which the citation was issued. Section 7121 shall apply to ~~any~~
16 ~~member~~ *a partner*, officer, director, *manager* or associate of a
17 licensee that fails to comply with a citation after it is final.

18 SEC. 26. Section 7121.5 of the Business and Professions Code
19 is amended to read:

20 7121.5. ~~Any~~ A person who was the qualifying individual on a
21 revoked license, or of a license under suspension, or of a license
22 that was not renewed while it was under suspension, shall be
23 prohibited from serving as an officer, director, associate, partner,
24 *manager*, or qualifying individual of a licensee, whether or not the
25 individual had knowledge of or participated in the prohibited acts
26 or omissions for which the license was revoked, or suspended, and
27 the employment, election, or association of ~~such~~ *that* person by a
28 licensee shall constitute grounds for disciplinary action.

29 SEC. 27. Section 7121.6 of the Business and Professions Code
30 is amended to read:

31 7121.6. (a) An individual who meets all of the following
32 criteria shall not perform any act regulated under this chapter for
33 or on behalf of a licensee, other than as a bona fide nonsupervising
34 employee:

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

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

39 (3) The individual is not eligible for reinstatement for licensure
40 under Section 7102.

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

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

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

10 (3) The individual is not eligible for reinstatement for licensure
11 under Section 7102.

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

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

22 SEC. 28. Section 7122 of the Business and Professions Code
23 is amended to read:

24 7122. The performance by ~~any~~ *an* individual, partnership,
25 corporation, *limited liability company*, firm, or association of ~~any~~
26 *an* act or omission constituting a cause for disciplinary action,
27 likewise constitutes a cause for disciplinary action against ~~any a~~
28 licensee other than the individual qualifying on behalf of the
29 individual or entity, if the licensee was a ~~member~~ *partner*, officer,
30 director, *manager*, or associate of ~~such that~~ individual, partnership,
31 corporation, *limited liability company*, firm, or association at the
32 time ~~such the~~ act or omission occurred, and had knowledge of or
33 participated in ~~such the~~ prohibited act or omission.

34 SEC. 29. Section 7122.1 of the Business and Professions Code
35 is amended to read:

36 7122.1. Notwithstanding Section 7068.2 or any other provision
37 of this chapter, the disassociation of ~~any a~~ qualifying ~~partner,~~
38 ~~responsible managing officer,~~ or ~~responsible managing employee~~
39 *individual* from a license after the act or omission has occurred
40 that resulted in a citation pursuant to Section 7099 shall not relieve

1 the qualifying partner, responsible managing officer, or responsible
2 managing employee *individual* from responsibility for complying
3 with the citation. Section 7122.5 shall apply to ~~any a~~ qualifying
4 partner, responsible managing officer, or responsible managing
5 employee *individual* of a licensee that fails to comply with a
6 citation after it is final.

7 SEC. 30. Section 7122.2 of the Business and Professions Code
8 is amended to read:

9 7122.2. (a) Notwithstanding Section 7068.2 or any other
10 provisions of this chapter, the disassociation of ~~any a~~ qualifying
11 partner, responsible managing officer, or responsible managing
12 employee *individual* from a license that has been referred to
13 arbitration pursuant to Section 7085 shall not relieve the qualifying
14 partner, responsible managing officer, or responsible managing
15 employee *individual* from the responsibility of complying with an
16 arbitration award rendered as a result of acts or omissions
17 committed while acting as the qualifying partner, responsible
18 managing officer, or responsible managing employee *individual*
19 for the license as provided under Sections 7068 and 7068.1.

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

24 SEC. 31. Section 7122.5 of the Business and Professions Code
25 is amended to read:

26 7122.5. 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 who at the time ~~such that the~~ act or omission occurred
31 was the ~~responsible managing employee, qualifying partner,~~
32 ~~responsible managing officer, or qualifying member of such~~
33 *individual of that* individual, partnership, corporation, *limited*
34 *liability company*, firm, or association, whether or not he *or she*
35 had knowledge of or participated in the prohibited act or omission.

36 SEC. 32. Section 7137 of the Business and Professions Code
37 is amended to read:

38 7137. The board shall set fees by regulation. These fees shall
39 not exceed the following schedule:

- 1 (a) The application fee for an original license in a single
2 classification shall not be more than three hundred dollars (\$300).
3 The application fee for each additional classification applied for
4 in connection with an original license shall not be more than
5 seventy-five dollars (\$75).
6 The application fee for each additional classification pursuant
7 to Section 7059 shall not be more than seventy-five dollars (\$75).
8 The application fee to replace a responsible managing officer,
9 *responsible managing manager*, or *responsible managing* employee
10 pursuant to Section 7068.2 shall not be more than seventy-five
11 dollars (\$75).
12 (b) The fee for rescheduling an examination for an applicant
13 who has applied for an original license, additional classification,
14 a change of responsible managing officer, *responsible managing*
15 *manager*, or responsible managing employee, or for an asbestos
16 certification or hazardous substance removal certification, shall
17 not be more than sixty dollars (\$60).
18 (c) The fee for scheduling or rescheduling an examination for
19 a licensee who is required to take the examination as a condition
20 of probation shall not be more than sixty dollars (\$60).
21 (d) The initial license fee for an active or inactive license shall
22 not be more than one hundred eighty dollars (\$180).
23 (e) The renewal fee for an active license shall not be more than
24 three hundred sixty dollars (\$360).
25 The renewal fee for an inactive license shall not be more than
26 one hundred eighty dollars (\$180).
27 (f) The delinquency fee is an amount equal to 50 percent of the
28 renewal fee, if the license is renewed after its expiration.
29 (g) The registration fee for a home improvement salesperson
30 shall not be more than seventy-five dollars (\$75).
31 (h) The renewal fee for a home improvement salesperson
32 registration shall not be more than seventy-five dollars (\$75).
33 (i) The application fee for an asbestos certification examination
34 shall not be more than seventy-five dollars (\$75).
35 (j) The application fee for a hazardous substance removal or
36 remedial action certification examination shall not be more than
37 seventy-five dollars (\$75).
38 (k) In addition to any other fees charged to C-10 and C-7
39 contractors, the board may charge a fee not to exceed twenty dollars

1 (\$20), which shall be used by the board to enforce provisions of
2 the Labor Code related to electrician certification.

3 SEC. 33. Section 7138 of the Business and Professions Code
4 is amended to read:

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

9 SEC. 34. Section 7152 of the Business and Professions Code
10 is amended to read:

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

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

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

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

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

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

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

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

37 (c) The exemption to registration provided under paragraphs
38 (1), (2), and (3) of subdivision (b) shall apply only to those
39 individuals who, at the time of the sales transaction, are listed as
40 personnel of record for the licensee responsible for soliciting,

1 negotiating, or contracting for a service or improvement that is
2 subject to regulation under this article.

3 SEC. 35. Section 7159 of the Business and Professions Code
4 is amended to read:

5 7159. (a) (1) This section identifies the projects for which a
6 home improvement contract is required, outlines the contract
7 requirements, and lists the items that shall be included in the
8 contract, or may be provided as an attachment.

9 (2) This section does not apply to service and repair contracts
10 that are subject to Section 7159.10, if the contract for the applicable
11 services complies with Sections 7159.10 to 7159.14, inclusive.

12 (3) This section does not apply to the sale, installation, and
13 servicing of a fire alarm sold in conjunction with an alarm system,
14 as defined in subdivision (n) of Section 7590.1, if all costs
15 attributable to making the fire alarm system operable, including
16 sale and installation costs, do not exceed five hundred dollars
17 (\$500), and the licensee complies with the requirements set forth
18 in Section 7159.9.

19 (4) This section does not apply to any costs associated with
20 monitoring a burglar or fire alarm system.

21 (5) Failure by the licensee, his or her agent or salesperson, or
22 by a person subject to be licensed under this chapter, to provide
23 the specified information, notices, and disclosures in the contract,
24 or to otherwise fail to comply with any provision of this section,
25 is cause for discipline.

26 (b) For purposes of this section, “home improvement contract”
27 means an agreement, whether oral or written, or contained in one
28 or more documents, between a contractor and an owner or between
29 a contractor and a tenant, regardless of the number of residence
30 or dwelling units contained in the building in which the tenant
31 resides, if the work is to be performed in, to, or upon the residence
32 or dwelling unit of the tenant, for the performance of a home
33 improvement, as defined in Section 7151, and includes all labor,
34 services, and materials to be furnished and performed thereunder,
35 if the aggregate contract price specified in one or more
36 improvement contracts, including all labor, services, and materials
37 to be furnished by the contractor, exceeds five hundred dollars
38 (\$500). “Home improvement contract” also means an agreement,
39 whether oral or written, or contained in one or more documents,
40 between a salesperson, whether or not he or she is a home

1 improvement salesperson, and an owner or a tenant, regardless of
2 the number of residence or dwelling units contained in the building
3 in which the tenant resides, which provides for the sale, installation,
4 or furnishing of home improvement goods or services.

5 (c) In addition to the specific requirements listed under this
6 section, every home improvement contract and any person subject
7 to licensure under this chapter or his or her agent or salesperson
8 shall comply with all of the following:

9 (1) The writing shall be legible.

10 (2) Any printed form shall be readable. Unless a larger typeface
11 is specified in this article, text in any printed form shall be in at
12 least 10-point typeface and the headings shall be in at least 10-point
13 boldface type.

14 (3) (A) Before any work is started, the contractor shall give the
15 buyer a copy of the contract signed and dated by both the contractor
16 and the buyer. The buyer's receipt of the copy of the contract
17 initiates the buyer's rights to cancel the contract pursuant to
18 Sections 1689.5 to 1689.14, inclusive, of the Civil Code.

19 (B) The contract shall contain on the first page, in a typeface
20 no smaller than that generally used in the body of the document,
21 both of the following:

22 (i) The date the buyer signed the contract.

23 (ii) The name and address of the contractor to which the
24 applicable "Notice of Cancellation" is to be mailed, immediately
25 preceded by a statement advising the buyer that the "Notice of
26 Cancellation" may be sent to the contractor at the address noted
27 on the contract.

28 (4) A statement that, upon satisfactory payment being made for
29 any portion of the work performed, the contractor, prior to any
30 further payment being made, shall furnish to the person contracting
31 for the home improvement or swimming pool work a full and
32 unconditional release from any claim or mechanic's lien pursuant
33 to Section 3114 of the Civil Code for that portion of the work for
34 which payment has been made.

35 (5) A change-order form for changes or extra work shall be
36 incorporated into the contract and shall become part of the contract
37 only if it is in writing and signed by the parties prior to the
38 commencement of any work covered by a change order.

39 (6) The contract shall contain, in close proximity to the
40 signatures of the owner and contractor, a notice stating that the

1 owner or tenant has the right to require the contractor to have a
2 performance and payment bond.

3 (7) If the contract provides for a contractor to furnish joint
4 control, the contractor shall not have any financial or other interest
5 in the joint control.

6 (8) The provisions of this section are not exclusive and do not
7 relieve the contractor from compliance with any other applicable
8 provision of law.

9 (d) A home improvement contract and any changes to the
10 contract shall be in writing and signed by the parties to the contract
11 prior to the commencement of work covered by the contract or an
12 applicable change order and, except as provided in paragraph (8)
13 of subdivision (a) of Section 7159.5, shall include or comply with
14 all of the following:

15 (1) The name, business address, and license number of the
16 contractor.

17 (2) If applicable, the name and registration number of the home
18 improvement salesperson that solicited or negotiated the contract.

19 (3) The following heading on the contract form that identifies
20 the type of contract in at least 10-point boldface type: “Home
21 Improvement.”

22 (4) The following statement in at least 12-point boldface type:
23 “You are entitled to a completely filled in copy of this agreement,
24 signed by both you and the contractor, before any work may be
25 started.”

26 (5) The heading: “Contract Price,” followed by the amount of
27 the contract in dollars and cents.

28 (6) If a finance charge will be charged, the heading: “Finance
29 Charge,” followed by the amount in dollars and cents. The finance
30 charge is to be set out separately from the contract amount.

31 (7) The heading: “Description of the Project and Description
32 of the Significant Materials to be Used and Equipment to be
33 Installed,” followed by a description of the project and a description
34 of the significant materials to be used and equipment to be installed.
35 For swimming pools, the project description required under this
36 paragraph also shall include a plan and scale drawing showing the
37 shape, size, dimensions, and the construction and equipment
38 specifications.

39 (8) If a downpayment will be charged, the details of the
40 downpayment shall be expressed in substantially the following

1 form, and shall include the text of the notice as specified in
2 subparagraph (C):

3 (A) The heading: “Downpayment.”

4 (B) A space where the actual downpayment appears.

5 (C) The following statement in at least 12-point boldface type:
6 “THE DOWNPAYMENT MAY NOT EXCEED \$1,000 OR 10
7 PERCENT OF THE CONTRACT PRICE, WHICHEVER IS
8 LESS.”

9 (9) If payments, other than the downpayment, are to be made
10 before the project is completed, the details of these payments,
11 known as progress payments, shall be expressed in substantially
12 the following form, and shall include the text of the statement as
13 specified in subparagraph (C):

14 (A) A schedule of progress payments shall be preceded by the
15 heading: “Schedule of Progress Payments.”

16 (B) Each progress payment shall be stated in dollars and cents
17 and specifically reference the amount of work or services to be
18 performed and materials and equipment to be supplied.

19 (C) The section of the contract reserved for the progress
20 payments shall include the following statement in at least 12-point
21 boldface type:

22 “The schedule of progress payments must specifically describe
23 each phase of work, including the type and amount of work or
24 services scheduled to be supplied in each phase, along with the
25 amount of each proposed progress payment. IT IS AGAINST THE
26 LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR
27 WORK NOT YET COMPLETED, OR FOR MATERIALS NOT
28 YET DELIVERED. HOWEVER, A CONTRACTOR MAY
29 REQUIRE A DOWNPAYMENT.”

30 (10) The contract shall address the commencement of work to
31 be performed in substantially the following form:

32 (A) A statement that describes what constitutes substantial
33 commencement of work under the contract.

34 (B) The heading: “Approximate Start Date.”

35 (C) The approximate date on which work will be commenced.

36 (11) The estimated completion date of the work shall be
37 referenced in the contract in substantially the following form:

38 (A) The heading: “Approximate Completion Date.”

39 (B) The approximate date of completion.

1 (12) If applicable, the heading: “List of Documents to be
2 Incorporated into the Contract,” followed by the list of documents
3 incorporated into the contract.

4 (13) The heading: “Note about Extra Work and Change Orders,”
5 followed by the following statement:

6 “Extra Work and Change Orders become part of the contract
7 once the order is prepared in writing and signed by the parties prior
8 to the commencement of work covered by the new change order.
9 The order must describe the scope of the extra work or change,
10 the cost to be added or subtracted from the contract, and the effect
11 the order will have on the schedule of progress payments.”

12 (e) Except as provided in paragraph (8) of subdivision (a) of
13 Section 7159.5, all of the following notices shall be provided to
14 the owner as part of the contract form as specified or, if otherwise
15 authorized under this subdivision, may be provided as an
16 attachment to the contract:

17 (1) (A) A notice concerning commercial general liability
18 insurance. This notice may be provided as an attachment to the
19 contract if the contract includes the following statement: “A notice
20 concerning commercial general liability insurance is attached to
21 this contract.” The notice shall include the heading “Commercial
22 General Liability Insurance (CGL),” followed by whichever of
23 the following statements is both relevant and correct:

24 (A) “(The name on the license or ‘This contractor’) does not
25 carry commercial general liability insurance.”

26 (B) “(The name on the license or ‘This contractor’) carries
27 commercial general liability insurance written by (the insurance
28 company). You may call (the insurance company) at _____
29 to check the contractor’s insurance coverage.”

30 (C) “(The name on the license or ‘This contractor’) is
31 self-insured.”

32 (D) “(The name on the license or ‘This contractor’) is a limited
33 liability company that carries liability insurance or maintains
34 other security as required by law. You may call (the insurance
35 company or trust company or bank) at _____ to check on the
36 contractor’s insurance coverage or security.”

37 (2) A notice concerning workers’ compensation insurance. This
38 notice may be provided as an attachment to the contract if the
39 contract includes the statement: “A notice concerning workers’
40 compensation insurance is attached to this contract.” The notice

1 shall include the heading “Workers’ Compensation Insurance”
2 followed by whichever of the following statements is correct:

3 (A) “(The name on the license or ‘This contractor’) has no
4 employees and is exempt from workers’ compensation
5 requirements.”

6 (B) “(The name on the license or ‘This contractor’) carries
7 workers’ compensation insurance for all employees.”

8 (3) A notice that provides the buyer with the following
9 information about the performance of extra or change-order work:

10 (A) A statement that the buyer may not require a contractor to
11 perform extra or change-order work without providing written
12 authorization prior to the commencement of work covered by the
13 new change order.

14 (B) A statement informing the buyer that extra work or a change
15 order is not enforceable against a buyer unless the change order
16 also identifies all of the following in writing prior to the
17 commencement of work covered by the new change order:

- 18 (i) The scope of work encompassed by the order.
- 19 (ii) The amount to be added or subtracted from the contract.
- 20 (iii) The effect the order will make in the progress payments or
21 the completion date.

22 (C) A statement informing the buyer that the contractor’s failure
23 to comply with the requirements of this paragraph does not
24 preclude the recovery of compensation for work performed based
25 upon legal or equitable remedies designed to prevent unjust
26 enrichment.

27 (4) A notice with the heading “Mechanics’ Lien Warning”
28 written as follows:

29 **“MECHANICS’ LIEN WARNING:**
 30 Anyone who helps improve your property, but who is not paid,
 31 may record what is called a mechanics’ lien on your property. A
 32 mechanics’ lien is a claim, like a mortgage or home equity loan,
 33 made against your property and recorded with the county recorder.
 34 Even if you pay your contractor in full, unpaid subcontractors,
 35 suppliers, and laborers who helped to improve your property may
 36 record mechanics’ liens and sue you in court to foreclose the lien.
 37 If a court finds the lien is valid, you could be forced to pay twice
 38 or have a court officer sell your home to pay the lien. Liens can
 39 also affect your credit.

1 To preserve their right to record a lien, each subcontractor and
2 material supplier must provide you with a document called a
3 '20-day Preliminary Notice.' This notice is not a lien. The purpose
4 of the notice is to let you know that the person who sends you the
5 notice has the right to record a lien on your property if he or she
6 is not paid.

7 **BE CAREFUL.** The Preliminary Notice can be sent up to 20
8 days after the subcontractor starts work or the supplier provides
9 material. This can be a big problem if you pay your contractor
10 before you have received the Preliminary Notices.

11 You will not get Preliminary Notices from your prime contractor
12 or from laborers who work on your project. The law assumes that
13 you already know they are improving your property.

14 **PROTECT YOURSELF FROM LIENS.** You can protect
15 yourself from liens by getting a list from your contractor of all the
16 subcontractors and material suppliers that work on your project.
17 Find out from your contractor when these subcontractors started
18 work and when these suppliers delivered goods or materials. Then
19 wait 20 days, paying attention to the Preliminary Notices you
20 receive.

21 **PAY WITH JOINT CHECKS.** One way to protect yourself is
22 to pay with a joint check. When your contractor tells you it is time
23 to pay for the work of a subcontractor or supplier who has provided
24 you with a Preliminary Notice, write a joint check payable to both
25 the contractor and the subcontractor or material supplier.

26 For other ways to prevent liens, visit CSLB's Internet Web site
27 at www.cslb.ca.gov or call CSLB at 800-321-CSLB (2752).

28 **REMEMBER, IF YOU DO NOTHING, YOU RISK HAVING**
29 **A LIEN PLACED ON YOUR HOME.** This can mean that you
30 may have to pay twice, or face the forced sale of your home to pay
31 what you owe."

32 (5) The following notice shall be provided in at least 12-point
33 typeface:

34 "Information about the Contractors' State License Board (CSLB):
35 CSLB is the state consumer protection agency that licenses and
36 regulates construction contractors.

37 Contact CSLB for information about the licensed contractor you
38 are considering, including information about disclosable
39 complaints, disciplinary actions, and civil judgments that are
40 reported to CSLB.

1 Use only licensed contractors. If you file a complaint against a
2 licensed contractor within the legal deadline (usually four years),
3 CSLB has authority to investigate the complaint. If you use an
4 unlicensed contractor, CSLB may not be able to help you resolve
5 your complaint. Your only remedy may be in civil court, and you
6 may be liable for damages arising out of any injuries to the
7 unlicensed contractor or the unlicensed contractor's employees.

8 For more information:

9 Visit CSLB's Internet Web site at www.cslb.ca.gov

10 Call CSLB at 800-321-CSLB (2752)

11 Write CSLB at P.O. Box 26000, Sacramento, CA 95826."

12 (6) (A) The notice set forth in subparagraph (B) and entitled
13 "Three-Day Right to Cancel," shall be provided to the buyer unless
14 the contract is:

15 (i) Negotiated at the contractor's place of business.

16 (ii) Subject to the "Seven-Day Right to Cancel," as set forth in
17 paragraph (7).

18 (iii) Subject to licensure under the Alarm Company Act (Chapter
19 11.6 (commencing with Section 7590)), provided the alarm
20 company licensee complies with Sections 1689.5, 1689.6, and
21 1689.7 of the Civil Code, as applicable.

22 (B) "Three-Day Right to Cancel

23 You, the buyer, have the right to cancel this contract within three
24 business days. You may cancel by e-mailing, mailing, faxing, or
25 delivering a written notice to the contractor at the contractor's
26 place of business by midnight of the third business day after you
27 received a signed and dated copy of the contract that includes this
28 notice. Include your name, your address, and the date you received
29 the signed copy of the contract and this notice.

30 If you cancel, the contractor must return to you anything you
31 paid within 10 days of receiving the notice of cancellation. For
32 your part, you must make available to the contractor at your
33 residence, in substantially as good condition as you received them,
34 goods delivered to you under this contract or sale. Or, you may,
35 if you wish, comply with the contractor's instructions on how to
36 return the goods at the contractor's expense and risk. If you do
37 make the goods available to the contractor and the contractor does
38 not pick them up within 20 days of the date of your notice of
39 cancellation, you may keep them without any further obligation.
40 If you fail to make the goods available to the contractor, or if you

1 agree to return the goods to the contractor and fail to do so, then
2 you remain liable for performance of all obligations under the
3 contract.”

4 (C) The “Three-Day Right to Cancel” notice required by this
5 paragraph shall comply with all of the following:

6 (i) The text of the notice is at least 12-point boldface type.

7 (ii) The notice is in immediate proximity to a space reserved
8 for the owner’s signature.

9 (iii) The owner acknowledges receipt of the notice by signing
10 and dating the notice form in the signature space.

11 (iv) The notice is written in the same language, e.g., Spanish,
12 as that principally used in any oral sales presentation.

13 (v) The notice may be attached to the contract if the contract
14 includes, in at least 12-point boldface type, a checkbox with the
15 following statement: “The law requires that the contractor give
16 you a notice explaining your right to cancel. Initial the checkbox
17 if the contractor has given you a ‘Notice of the Three-Day Right
18 to Cancel.’”

19 (vi) The notice shall be accompanied by a completed form in
20 duplicate, captioned “Notice of Cancellation,” which also shall be
21 attached to the agreement or offer to purchase and be easily
22 detachable, and which shall contain the following statement written
23 in the same language, e.g., Spanish, as used in the contract:
24

25 “Notice of Cancellation”

26 /enter date of transaction/
27

28 _____
29 (Date)

30 “You may cancel this transaction, without any penalty or
31 obligation, within three business days from the above date.

32 If you cancel, any property traded in, any payments made by
33 you under the contract or sale, and any negotiable instrument
34 executed by you will be returned within 10 days following receipt
35 by the seller of your cancellation notice, and any security interest
36 arising out of the transaction will be canceled.

37 If you cancel, you must make available to the seller at your
38 residence, in substantially as good condition as when received,
39 any goods delivered to you under this contract or sale, or you may,

1 if you wish, comply with the instructions of the seller regarding
 2 the return shipment of the goods at the seller’s expense and risk.
 3 If you do make the goods available to the seller and the seller
 4 does not pick them up within 20 days of the date of your notice of
 5 cancellation, you may retain or dispose of the goods without any
 6 further obligation. If you fail to make the goods available to the
 7 seller, or if you agree to return the goods to the seller and fail to
 8 do so, then you remain liable for performance of all obligations
 9 under the contract.”

10
 11 To cancel this transaction, mail or deliver a signed and dated copy of this
 12 cancellation notice, or any other written notice, or send a telegram
 13 to _____,
 14 /name of seller/
 15 at _____
 16 /address of seller’s place of business/
 17 not later than midnight of _____.
 18 (Date)

19 I hereby cancel this transaction. _____
 20 (Date)
 21 _____
 22 (Buyer’s signature)

23
 24 (7) (A) The following notice entitled “Seven-Day Right to
 25 Cancel” shall be provided to the buyer for any contract that is
 26 written for the repair or restoration of residential premises damaged
 27 by any sudden or catastrophic event for which a state of emergency
 28 has been declared by the President of the United States or the
 29 Governor, or for which a local emergency has been declared by
 30 the executive officer or governing body of any city, county, or city
 31 and county:

32 “Seven-Day Right to Cancel
 33 You, the buyer, have the right to cancel this contract within seven
 34 business days. You may cancel by e-mailing, mailing, faxing, or
 35 delivering a written notice to the contractor at the contractor’s
 36 place of business by midnight of the seventh business day after
 37 you received a signed and dated copy of the contract that includes
 38 this notice. Include your name, your address, and the date you
 39 received the signed copy of the contract and this notice.

1 If you cancel, the contractor must return to you anything you
 2 paid within 10 days of receiving the notice of cancellation. For
 3 your part, you must make available to the contractor at your
 4 residence, in substantially as good condition as you received them,
 5 goods delivered to you under this contract or sale. Or, you may,
 6 if you wish, comply with the contractor’s instructions on how to
 7 return the goods at the contractor’s expense and risk. If you do
 8 make the goods available to the contractor and the contractor does
 9 not pick them up within 20 days of the date of your notice of
 10 cancellation, you may keep them without any further obligation.
 11 If you fail to make the goods available to the contractor, or if you
 12 agree to return the goods to the contractor and fail to do so, then
 13 you remain liable for performance of all obligations under the
 14 contract.”

15 (B) The “Seven-Day Right to Cancel” notice required by this
 16 subdivision shall comply with all of the following:

- 17 (i) The text of the notice is at least 12-point boldface type.
- 18 (ii) The notice is in immediate proximity to a space reserved
 19 for the owner’s signature.
- 20 (iii) The owner acknowledges receipt of the notice by signing
 21 and dating the notice form in the signature space.
- 22 (iv) The notice is written in the same language, e.g., Spanish,
 23 as that principally used in any oral sales presentation.
- 24 (v) The notice may be attached to the contract if the contract
 25 includes, in at least 12-point boldface type, a checkbox with the
 26 following statement: “The law requires that the contractor give
 27 you a notice explaining your right to cancel. Initial the checkbox
 28 if the contractor has given you a ‘Notice of the Seven-Day Right
 29 to Cancel.’ ”
- 30 (vi) The notice shall be accompanied by a completed form in
 31 duplicate, captioned “Notice of Cancellation,” which shall also be
 32 attached to the agreement or offer to purchase and be easily
 33 detachable, and which shall contain the following statement written
 34 in the same language, e.g., Spanish, as used in the contract:

35
 36 “Notice of Cancellation”

37 /enter date of transaction/
 38

39 _____
 40 (Date)

1 “You may cancel this transaction, without any penalty or
2 obligation, within seven business days from the above date.

3 If you cancel, any property traded in, any payments made by
4 you under the contract or sale, and any negotiable instrument
5 executed by you will be returned within 10 days following receipt
6 by the seller of your cancellation notice, and any security interest
7 arising out of the transaction will be canceled.

8 If you cancel, you must make available to the seller at your
9 residence, in substantially as good condition as when received,
10 any goods delivered to you under this contract or sale, or you may,
11 if you wish, comply with the instructions of the seller regarding
12 the return shipment of the goods at the seller’s expense and risk.

13 If you do make the goods available to the seller and the seller
14 does not pick them up within 20 days of the date of your notice of
15 cancellation, you may retain or dispose of the goods without any
16 further obligation. If you fail to make the goods available to the
17 seller, or if you agree to return the goods to the seller and fail to
18 do so, then you remain liable for performance of all obligations
19 under the contract.”

20

21 To cancel this transaction, mail or deliver a signed and dated copy of this
22 cancellation notice, or any other written notice, or send a telegram

23 to _____,

24 /name of seller/

25 at _____

26 /address of seller’s place of business/

27 not later than midnight of _____.

28 (Date)

29 I hereby cancel this transaction. _____

30 (Date)

31 _____

32 (Buyer’s signature)

33

34 SEC. 36. Section 7159.10 of the Business and Professions
35 Code is amended to read:

36 7159.10. (a) (1) “Service and repair contract” means an
37 agreement between a contractor or salesperson for a contractor,
38 whether a general contractor or a specialty contractor, who is
39 licensed or subject to be licensed pursuant to this chapter with
40 regard to the transaction, and a homeowner or a tenant, for the

1 performance of a home improvement as defined in Section 7151,
2 that conforms to the following requirements:

3 (A) The contract amount is seven hundred fifty dollars (\$750)
4 or less.

5 (B) The prospective buyer initiated contact with the contractor
6 to request the work.

7 (C) The contractor does not sell the buyer goods or services
8 beyond those reasonably necessary to take care of the particular
9 problem that caused the buyer to contact the contractor.

10 (D) No payment is due, or accepted by the contractor, until the
11 work is completed.

12 (2) As used in this subdivision, “the work is completed” means
13 that all of the conditions that caused the buyer to contact the
14 contractor for service and repairs have been fully corrected and,
15 if applicable, the building department has accepted and approved
16 the corrective work.

17 (b) For any contract written pursuant to subdivision (a) or
18 otherwise presented to the buyer as a service and repair contract,
19 unless all of the conforming requirements for service and repair
20 contracts specified in subdivision (a) are met, the contract
21 requirements for home improvements set forth in subdivisions (c),
22 (d), and (e) of Section 7159 shall be applicable, including any
23 rights to rescind the contract as set forth in Section 1689.6 or
24 1689.7 of the Civil Code, regardless of the aggregate contract
25 price.

26 (c) If all of the requirements of subdivision (a) are met, only
27 those notices and other requirements set forth in this section are
28 applicable to the contract.

29 (d) Every service and repair contract described in subdivision
30 (a) shall include, or otherwise comply with, all of the following:

31 (1) The contract, any changes to the contract, and any
32 attachments shall be in writing and signed or acknowledged by
33 the parties as set forth in this section, and shall be written in the
34 same language (for example Spanish) as principally used in the
35 oral sales presentation.

36 (2) The writing shall be legible.

37 (3) Any printed form shall be readable. Unless a larger typeface
38 is specified in this article, the text shall be in at least 10-point
39 typeface and the headings shall be in at least 10-point boldface
40 type.

1 (4) Before any work is started, the contractor shall give the
2 buyer a copy of the contract signed and dated by the buyer and by
3 the contractor or the contractor's representative.

4 (5) The name, business address, and license number of the
5 contractor.

6 (6) The date the contract was signed.

7 (7) (A) A notice concerning commercial general liability
8 insurance. This notice may be provided as an attachment to the
9 contract if the contract includes the statement, "A notice concerning
10 commercial general liability insurance is attached to this contract."
11 The notice shall include the heading "Commercial General Liability
12 Insurance (CGL)" followed by whichever of the following
13 statements is both relevant and correct:

14 (A) "(The name on the license or 'This contractor') does not
15 carry commercial general liability insurance."

16 (B) "(The name on the license or 'This contractor') carries
17 commercial general liability insurance written by (the insurance
18 company). You may call the (insurance company) at ____ to check
19 the contractor's insurance coverage."

20 (C) "(The name on the license or 'This contractor') is
21 self-insured."

22 (D) "*(The name on the license or 'This contractor') is a limited
23 liability company that carries liability insurance or maintains
24 other security as required by law. You may call (the insurance
25 company or trust company or bank) at ____ to check on the
26 contractor's insurance coverage or security.*"

27 (8) A notice concerning workers' compensation insurance. This
28 notice may be provided as an attachment to the contract if the
29 contract includes the statement "A notice concerning workers'
30 compensation insurance is attached to this contract." The notice
31 shall include the heading "Workers' Compensation Insurance"
32 followed by whichever of the following statements is both relevant
33 and correct:

34 (A) "(The name on the license or 'This contractor') has no
35 employees and is exempt from workers' compensation
36 requirements."

37 (B) "(The name on the license or 'This contractor') carries
38 workers' compensation insurance for all employees."

1 (e) Every service and repair contract described in subdivision
2 (a) shall provide the following information, notices, and disclosures
3 in the contract:

4 (1) Notice of the type of contract in at least 10-point boldface
5 type: “Service and Repair.”

6 (2) A notice in at least 12-point boldface type, signed and dated
7 by the buyer: “Notice to the Buyer: The law requires that service
8 and repair contracts must meet all of the following requirements:

9 (A) The price must be no more than seven hundred and fifty
10 dollars (\$750).

11 (B) You, the buyer, must have initiated contact with the
12 contractor to request the work.

13 (C) The contractor must not sell you goods or services beyond
14 those reasonably necessary to take care of the particular problem
15 that caused you to contact the contractor.

16 (D) No payment is due and the contractor may not accept any
17 payment until the work is completed.”

18 (3) The notice in at least 12-point boldface type: “Notice to the
19 Buyer: You are entitled to a completely filled in and signed copy
20 of this agreement before any work may be started.”

21 (4) If applicable, the heading “List of Documents to be
22 Incorporated into the Contract,” followed by the list of documents
23 to be incorporated into the contract.

24 (5) Where the contract is a fixed contract amount, the heading:
25 “Contract Price” followed by the amount of the contract in dollars
26 and cents.

27 (6) If a finance charge will be charged, the heading: “Finance
28 Charge” followed by the amount in dollars and cents. The finance
29 charge is to be set out separately from the contract amount.

30 (7) Where the contract is estimated by a time and materials
31 formula, the heading “Estimated Contract Price” followed by the
32 estimated contract amount in dollars and cents. The contract must
33 disclose the set rate and the estimated cost of materials. The
34 contract must also disclose how time will be computed, for
35 example, in increments of quarter hours, half hours, or hours, and
36 the statement: “The actual contract amount of a time and materials
37 contract may not exceed the estimated contract amount without
38 written authorization from the buyer.”

39 (8) The heading: “Description of the Project and Materials to
40 be Used and Equipment to be Installed” followed by a description

1 of the project and materials to be used and equipment to be
2 installed.

3 (9) The statement: “The law requires that the contractor offer
4 you any parts that were replaced during the service call. If you do
5 not want the parts, initial the checkbox labeled 'OK for contractor
6 to take replaced parts.”

7 (10) A checkbox labeled “OK for contractor to take replaced
8 parts.”

9 (11) If a service charge is charged, the heading “Amount of
10 Service Charge” followed by the service charge, and the statement
11 “You may be charged only one service charge, including any trip
12 charge or inspection fee.”

13 (12) (A) The contract, or an attachment to the contract as
14 specified under subparagraph (C) of this paragraph, must include,
15 in immediate proximity to the space reserved for the buyer’s
16 signature, the following statement, in a size equal at least to
17 12-point boldface type, which shall be dated and signed by the
18 buyer:

19 **“YOUR RIGHTS TO CANCEL BEFORE WORK BEGINS**

20 (A) You, the buyer, have the right to cancel this contract until:

21 1. You receive a copy of this contract signed and dated by you
22 and the contractor; and

23 2. The contractor starts work.

24 (B) However, even if the work has begun you, the buyer, may
25 still cancel the contract for any of the reasons specified in items 1
26 through 4 of this paragraph. If any of these reasons occur, you may
27 cancel the contract within three business days of signing the
28 contract for normal service and repairs, or within seven business
29 days of signing a contract to repair or correct conditions resulting
30 from any sudden or catastrophic event for which a state of
31 emergency has been declared by the President of the United States
32 or the Governor, or for which a local emergency has been declared
33 by the executive officer or governing body of any city, county, or
34 city and county:

35 1. You may cancel the contract if the price, including all labor
36 and materials, is more than seven hundred fifty dollars (\$750).

37 2. You may cancel the contract if you did not initiate the contact
38 with the contractor to request the work.

1 3. You may cancel the contract if the contractor sold you goods
2 or services beyond those reasonably necessary to take care of the
3 particular problem that caused you to contact the contractor.

4 4. You may cancel the contract if the payment was due or the
5 contractor accepted any money before the work was complete.

6 (C) If any of these reasons for canceling occurred, you may
7 cancel the contract as specified under paragraph (B) above by
8 e-mailing, mailing, faxing, or delivering a written notice to the
9 contractor at the contractor’s place of business within three
10 business days or, if applicable, seven business days of the date you
11 received a signed and dated copy of this contract. Include your
12 name, your address, and the date you received a signed copy of
13 the contract and this notice.

14 If you cancel, the contractor must return to you anything you
15 paid within 10 days of receiving the notice of cancellation. For
16 your part, you must make available to the contractor at your
17 residence, in substantially as good condition as you received it,
18 any goods delivered to you under this contract. Or, you may, if
19 you wish, comply with the contractor’s instructions on how to
20 return the goods at the contractor’s expense and risk. If you make
21 the goods available to the contractor and the contractor does not
22 pick them up within 20 days of the date of your notice of
23 cancellation, you may keep them without any further obligation.
24 If you fail to make the goods available to the contractor, or if you
25 agree to return the goods to the contractor and fail to do so, then
26 you remain liable for performance of all obligations under the
27 contract.”

28 (B) This paragraph does not apply to home improvement
29 contracts entered into by a person who holds an alarm company
30 operator’s license issued pursuant to Chapter 11.6 (commencing
31 with Section 7590), provided the person complies with Sections
32 1689.5, 1689.6, and 1689.7 of the Civil Code, as applicable.

33 (C) The notice required in this paragraph may be incorporated
34 as an attachment to the contract if the contract includes a checkbox
35 and whichever statement is relevant in at least 12-point boldface
36 type:

37 (i) “The law requires that the contractor give you a notice
38 explaining your right to cancel. Initial the checkbox if the
39 contractor has given you a ’Notice of Your Right to Cancel.”

1 (ii) “The law requires that the contractor give you a notice
2 explaining your right to cancel contracts for the repair or restoration
3 of residential premises damaged by a disaster. Initial the checkbox
4 if the contractor has given you a ‘Notice of Your Right to Cancel.’”

5 (f) A bona fide service repairperson employed by a licensed
6 contractor or subcontractor hired by a licensed contractor may
7 enter into a service and repair contract on behalf of that contractor.

8 (g) The provisions of this section are not exclusive and do not
9 relieve the contractor from compliance with any other applicable
10 provision of law.

11 SEC. 37. Section 17002 of the Corporations Code is amended
12 to read:

13 17002. (a) Subject to any limitations contained in the articles
14 of organization and to compliance with any other applicable laws,
15 a limited liability company may engage in any lawful business
16 activity, whether or not for profit, except the banking business,
17 the business of issuing policies of insurance and assuming
18 insurance risks, or the trust company business.

19 (b) Notwithstanding subdivision (a) and as specifically provided
20 in this subdivision, a limited liability company may operate as a
21 health care service plan licensed pursuant to Chapter 2.2
22 (commencing with Section 1340) of Division 2 of the Health and
23 Safety Code if the limited liability company is a subsidiary of a
24 health care service plan licensed pursuant to those provisions and
25 the limited liability company is established to serve an existing
26 line of business of the parent health care service plan.
27 Notwithstanding any other provision of law, the tort or contract
28 liability of a limited liability company created to operate as a health
29 care service plan under this subdivision and its members is not
30 limited or restricted in any manner because of the limited liability
31 company status of the health care service plan.

32 (c) *Notwithstanding Section 17375, a limited liability company*
33 *may render services that may be lawfully rendered only pursuant*
34 *to a license, certificate, or registration authorized by the Business*
35 *and Professions Code if the applicable provisions of the Business*
36 *and Professions Code authorize a limited liability company to hold*
37 *that license, certificate, or registration.*

38 SEC. 38. No reimbursement is required by this act pursuant to
39 Section 6 of Article XIII B of the California Constitution because
40 the only costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or
2 infraction, eliminates a crime or infraction, or changes the penalty
3 for a crime or infraction, within the meaning of Section 17556 of
4 the Government Code, or changes the definition of a crime within
5 the meaning of Section 6 of Article XIII B of the California
6 Constitution.

O