

AMENDED IN ASSEMBLY JUNE 24, 2009

AMENDED IN SENATE APRIL 21, 2009

AMENDED IN SENATE APRIL 20, 2009

SENATE BILL

No. 392

Introduced by Senator Florez

February 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, 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 amended, 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, responsible managing member, 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~~ *maintain a policy or policies of insurance against liability imposed on or against it for damages arising out of claims*, 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 provide for the personal liability of persons within the limited liability company in a certain instance, except 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."

Existing law makes it unlawful for a person who has been a member, officer, director, or responsible managing officer of a licensed organization to individually engage in the business of a contractor without a license.

This bill would extend that prohibition to individuals listed in the personnel of record of the licensed organization and to certain other managing persons in the organization.

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.

Under existing law, no license may be renewed, reissued, or reinstated while a surety remains unreimbursed for a loss or expense sustained on a bond issued for the licensee or for an entity of which an officer, director, partner, manager, or qualifying person was an officer, director, partner, manager, or qualifying person of the licensee while the licensee was subject to suspension or disciplinary action, as specified.

This bill would instead specify that, during any period in which a surety remains unreimbursed for a loss or expense sustained on a bond issued, as specified, the license for which the bond was issued, and any other license in which any member of the personnel of record, as defined, of the licensee has also been listed, may not be renewed, reissued, or reinstated while the licensee was subject to suspension or disciplinary action, as specified.

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 and mother.

The bill would make other technical, nonsubstantive changes.

~~The bill would become operative on January 1, 2011.~~

The bill's provisions would not become operative until January 1 of the year following the effective date of the annual budget bill in which

the Contractors’ State License Board receives an appropriation for sufficient resources to implement this act.

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) *“Members of the personnel of record” as used in*
4 *this chapter means every person listed in the records of the*
5 *registrar as then associated with a licensee.*
6 (b) *“Person” as used in this chapter includes an individual, a*
7 *firm, copartnership, corporation, limited liability company,*
8 *association or other organization, or any combination thereof.*
9 ~~(b)~~
10 (c) *“Qualifying person,” “qualifying individual,” or “qualifier,”*
11 *as used in this chapter, means a person who qualifies for a license*
12 *pursuant to Section 7068.*
13 SEC. 2. Section 7028.5 of the Business and Professions Code
14 is amended to read:
15 7028.5. It is unlawful for a person who is or has been a partner,
16 officer, director, manager, responsible managing employee,
17 responsible managing member, responsible managing manager,
18 or responsible managing officer of, or an individual who is listed
19 in the personnel of record of, a licensed copartnership, corporation,
20 limited liability company, firm, association or other organization
21 to individually engage in the business or individually act in the
22 capacity of a contractor within this state without having a license
23 in good standing to so engage or act.
24 SEC. 3. Section 7029 of the Business and Professions Code is
25 amended to read:
26 7029. A joint venture license is a license issued to any
27 combination of individuals, corporations, limited liability
28 companies, partnerships, or other joint ventures, each of which

1 holds a current, active license in good standing. A joint venture
2 license may be issued in any classification in which at least one
3 of the entities is licensed. An active joint venture license shall be
4 automatically suspended by operation of law during any period in
5 which any member of the entity does not hold a current, active
6 license in good standing.

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

9 7065. (a) Under rules and regulations adopted by the board
10 and approved by the director, the registrar shall investigate,
11 classify, and qualify applicants for contractors' licenses by written
12 examination. This examination shall include questions designed
13 to show that the applicant has the necessary degree of knowledge
14 required by Section 7068 and shall include pertinent questions
15 relating to the laws of this state, and the contracting business and
16 trade. ~~Contractors'~~

17 (b) *Contractors'* licenses are to be issued to individual owners,
18 copartnerships, corporations, and limited liability companies *in*
19 *accordance with the provisions of this chapter.* ~~At~~

20 (1) *Every person who is an officer, member, responsible*
21 *manager, or director of a corporation or limited liability company*
22 *seeking licensure under this chapter shall be listed on the*
23 *application as a member of the personnel of record.*

24 (2) *Every person who is a member of a copartnership seeking*
25 *licensure under this chapter shall be listed on the application as*
26 *a member of the personnel record.*

27 (c) *An applicant shall qualify for licensure in accordance with*
28 *the provisions of this subdivision as follows:*

29 (1) *An individual owner may qualify by examination for a*
30 *contractor's license upon the appearance of the owner or a*
31 *qualifying individual appearing as a responsible managing*
32 *employee on behalf of the owner.* ~~A~~

33 (2) *A copartnership may qualify by examination for a*
34 *contractor's license upon the appearance of a copartner or a*
35 *qualifying individual appearing as a responsible managing*
36 *employee on behalf of the copartnership.* ~~A~~

37 (3) *A corporation may qualify by examination for a contractor's*
38 *license upon the appearance of a qualifying individual appearing*
39 *either as a responsible managing officer or a responsible managing*
40 *employee on behalf of the corporation.* ~~A~~

1 (4) A limited liability company may qualify by examination for
 2 a contractor’s license upon the appearance of a qualifying
 3 individual appearing as a responsible managing officer, a
 4 responsible managing manager, responsible managing member,
 5 or a responsible managing employee on behalf of the company.
 6 ~~No~~

7 (d) No examination shall be required of a qualifying individual
 8 if, within the five-year period immediately preceding the
 9 application for licensure, the qualifying individual has either
 10 personally passed the written examination for the same
 11 classification being applied for, or has served as the qualifying
 12 individual for a licensee whose license was in good standing at
 13 any time during the five-year period immediately preceding the
 14 application for licensure and in the same classification being
 15 applied for.

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

18 7065.1. Notwithstanding Section 7065, the registrar may waive
 19 the examination for a contractor’s license under any of the
 20 following circumstances:

21 (a) The qualifying individual has, for five of the seven years
 22 immediately preceding the application for licensure, been listed
 23 on the official records of the board as a member of the personnel
 24 of any licensee who held a license, which was active and in good
 25 standing, in the same classification being applied for, and who
 26 during the period listed on the license has been actively engaged
 27 in a licensee’s construction activities in the same classification
 28 within which the applicant applies for a license.

29 (b) The qualifying individual is an immediate member of the
 30 family of a licensee whose individual license was active and in
 31 good standing for five of the seven years immediately preceding
 32 the application for licensure, and the qualifying individual is able
 33 to show all of the following:

34 (1) The qualifying individual has been actively engaged in the
 35 licensee’s business for five of the seven years immediately
 36 preceding the application for licensure.

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

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

1 (c) The qualifying individual is an employee of a corporation
2 or a limited liability company seeking to replace its former
3 qualifying individual and has been employed by that corporation
4 or limited liability company under the following conditions:

5 (1) For five of the seven years immediately preceding the
6 application for licensure, the qualifying individual has been
7 continually employed by the corporation or limited liability
8 company in a supervisory capacity in the same classifications being
9 applied for.

10 (2) For five of the seven years immediately preceding the
11 application for licensure, the corporation or limited liability
12 company has held an active license in good standing in the same
13 classifications being applied for.

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

16 For purposes of this section, employees of a corporation or
17 limited liability company shall include, but not be limited to, the
18 officers of a corporation and the officers and managers of a limited
19 liability company.

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

22 7065.5. No license shall be issued to a minor, nor to any
23 copartnership a partner of which is a minor, nor to any corporation
24 any officer, director or responsible managing employee of which
25 is a minor, nor to any limited liability company any officer,
26 manager, or responsible managing employee of which is a minor,
27 nor to any other kind of business organization in which a minor
28 holds a responsible official position, unless the minor shall first
29 have had a guardian appointed by a court of competent jurisdiction.

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

32 7068. (a) The board shall require an applicant to show the
33 degree of knowledge and experience in the classification applied
34 for, and the general knowledge of the building, safety, health, and
35 lien laws of the state and of the administrative principles of the
36 contracting business that the board deems necessary for the safety
37 and protection of the public.

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

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

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

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

13 (4) If a limited liability company, it shall qualify by the
14 appearance of a responsible managing officer, a responsible
15 managing manager, responsible managing member, or a responsible
16 managing employee who is qualified for the same license
17 classification as the classification being applied for.

18 (c) A responsible managing employee for the purpose of this
19 chapter shall mean an individual who is a bona fide employee of
20 the applicant and is actively engaged in the classification of work
21 for which that responsible managing employee is the qualifying
22 person on behalf of the applicant.

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

30 (e) Except in accordance with Section 7068.1, no person
31 qualifying on behalf of an individual or firm under paragraph (1),
32 (2), (3), or (4) of subdivision (b) shall hold any other active
33 contractor's license while acting in the capacity of a qualifying
34 individual pursuant to this section.

35 (f) At the time of application for renewal of a license, the current
36 qualifying individual shall file a statement with the registrar, on a
37 form prescribed by the registrar, verifying his or her capacity as a
38 qualifying individual to the licensee.

39 (g) Statements made by or on behalf of an applicant as to the
40 applicant's experience in the classification applied for shall be

1 verified by a qualified and responsible person. In addition, the
2 registrar shall, as specified by board regulation, randomly review
3 a percentage of such statements for their veracity.

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

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

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

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

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

26 (c) With respect to a firm under paragraph (2), (3), or (4) of
27 subdivision (b) of Section 7068, the majority of the partners,
28 officers, or managers are the same.

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

32 "Firm," as used in this section, means a copartnership, a limited
33 partnership, a corporation, a limited liability company, or any other
34 combination or organization described in Section 7068.

35 "Person," as used in this section, is limited to natural persons,
36 notwithstanding the definition of "person" in Section 7025.

37 The board shall require every applicant or licensee qualifying
38 by the appearance of a qualifying individual to submit detailed
39 information on the qualifying individual's duties and

1 responsibilities for supervision and control of the applicant's
2 construction operations.

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

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

11 To replace a responsible managing officer, responsible managing
12 employee, responsible managing member, or responsible managing
13 manager, the licensee shall file an application as prescribed by the
14 registrar, accompanied by the fee fixed by this chapter, designating
15 an individual to qualify as required by this chapter.

16 Upon failure to replace the qualifier within 90 days of the
17 disassociation the license shall be automatically suspended or the
18 classification removed at the end of the 90 days.

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

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

32 The person qualifying on behalf of a licensee under Section 7068
33 shall be responsible for the licensee's construction operations until
34 the board receives the written notification of disassociation.

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

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

1 7069. (a) An applicant, and each officer, director, partner,
2 manager, associate, and responsible managing employee thereof,
3 shall not have committed acts or crimes that are grounds for denial
4 of licensure under Section 480.

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

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

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

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

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

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

1 (2) A person who was an officer, director, manager, ~~or partner~~
2 *partner, or member of the personnel of record* of a licensee at any
3 time during which cause for disciplinary action occurred resulting
4 in suspension or revocation of the licensee's license and who had
5 knowledge of or participated in the act or omission which was the
6 cause for the disciplinary action.

7 (3) A partnership, corporation, limited liability company, firm,
8 or association of which an existing or new officer, director,
9 manager, partner, ~~or qualifying person~~ *qualifying person, or*
10 *member of the personnel of record* has had a license suspended or
11 revoked as a result of disciplinary action.

12 (4) A partnership, corporation, limited liability company, firm,
13 or association of which *a member of the personnel of record,*
14 *including, but not limited to,* an officer, director, manager, partner,
15 or qualifying person was, *likewise,* a manager, officer, director, or
16 partner of a licensee at any time during which cause for disciplinary
17 action occurred resulting in suspension or revocation of the license,
18 and who had knowledge of or participated in the act or omission
19 which was the cause for the disciplinary action.

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

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

1 this section for each application or license subject to this bond
2 requirement.

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

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

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

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

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

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

1 7071.11. (a) The aggregate liability of a surety on a claim for
2 wages and fringe benefits brought against a bond required by this
3 article, other than a bond required by Section 7071.8, shall not
4 exceed the sum of four thousand dollars (\$4,000). If a bond
5 required by this article is insufficient to pay all claims in full, the
6 sum of the bond shall be distributed to all claimants in proportion
7 to the amount of their respective claims.

8 (b) No license may be renewed, reissued, or reinstated while a
9 judgment or admitted claim in excess of the amount of the bond
10 remains unsatisfied.

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

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

21 (2) If the license has been inactivated, canceled, or revoked, an
22 action shall be brought within two years of the date the license of
23 the active licensee would have expired had the license not been
24 inactivated, canceled, or revoked. For the provisions of this
25 paragraph to be applicable, the act or omission for which the action
26 is filed must have occurred prior to the date the license was
27 inactivated, canceled, or revoked.

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

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

38 (e) Whenever the surety makes payment on a claim against a
39 bond required by this article, whether or not payment is made
40 through a court action or otherwise, the surety shall, within 30

1 days of the payment, provide notice to the registrar. The notice
2 required by this subdivision shall provide the following information
3 by declaration on a form prescribed by the registrar:

- 4 (1) The name and license number of the contractor.
- 5 (2) The surety bond number.
- 6 (3) The amount of payment.
- 7 (4) The statutory basis upon which the claim is made.
- 8 (5) The names of the person or persons to whom payments have
9 been made.
- 10 (6) Whether or not the payments were the result of a good faith
11 action by the surety.

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

14 (f) Prior to the settlement of a claim through a good faith
15 payment by the surety, a licensee shall have not less than 15 days
16 in which to provide a written protest. This protest shall instruct
17 the surety not to make payment from the bond on the licensee's
18 account upon the specific grounds that the claim is opposed by the
19 licensee, and provide the surety a specific and reasonable basis for
20 the licensee's opposition to payment.

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

27 (2) A licensee that fails to file a protest as specified in this
28 subdivision shall have 90 days from the date of notification by the
29 board to submit proof of payment of the actual amount owed to
30 the surety and, if applicable, proof of payment of any judgment or
31 admitted claim in excess of the amount of the bond or, by operation
32 of law, the license shall be suspended at the end of the 90 days. A
33 license suspension pursuant to this subdivision shall be disclosed
34 indefinitely as a failure to settle outstanding final liabilities in
35 violation of this chapter. The disclosure specified by this
36 subdivision shall also be applicable to all licenses covered by the
37 provisions of subdivision (g).

38 ~~(g) No license may be renewed, reissued, or reinstated while a~~
39 ~~surety remains unreimbursed for a loss or expense sustained on a~~
40 ~~bond issued for the licensee or for an entity of which an officer,~~

1 ~~director, partner, manager, or qualifying person was an officer,~~
2 ~~director, partner, manager, or qualifying person of the licensee~~
3 ~~while the licensee was subject to suspension or disciplinary action~~
4 ~~under this section.~~

5 (g) *During any period in which a surety remains unreimbursed*
6 *for a loss or expense sustained on a bond issued pursuant to this*
7 *article, the license for which the bond was issued, and any other*
8 *license in which any member of the personnel of record of the*
9 *licensee has also been listed, may not be renewed, reissued, or*
10 *reinstated while the licensee was subject to suspension or*
11 *disciplinary action under this section.*

12 (h) The licensee may provide the board with a notarized copy
13 of an accord, reached with the surety to satisfy the debt in lieu of
14 full payment. By operation of law, failure to abide by the accord
15 shall result in the automatic suspension of a license to which this
16 section applies. A license that is suspended for failure to abide by
17 the accord may only be renewed or reinstated when proof of
18 satisfaction of all debts is made.

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

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

22 7071.17. (a) Notwithstanding any other provision of law, the
23 board shall require, as a condition precedent to accepting an
24 application for licensure, renewal, reinstatement, or to change
25 officers or other personnel of record, that an applicant, previously
26 found to have failed or refused to pay a contractor, subcontractor,
27 consumer, materials supplier, or employee based on an unsatisfied
28 final judgment, file or have on file with the board a bond sufficient
29 to guarantee payment of an amount equal to the unsatisfied final
30 judgment or judgments. The applicant shall have 90 days from the
31 date of notification by the board to file the bond or the application
32 shall become void and the applicant shall reapply for issuance,
33 reinstatement, or reactivation of a license. The board may not issue,
34 reinstate, or reactivate a license until the bond is filed with the
35 board. The bond required by this section is in addition to the
36 contractor's bond. The bond shall be on file for a minimum of one
37 year, after which the bond may be removed by submitting proof
38 of satisfaction of all debts. The applicant may provide the board
39 with a notarized copy of any accord, reached with any individual
40 holding an unsatisfied final judgment, to satisfy a debt in lieu of

1 filing the bond. The board shall include on the license application
2 for issuance, reinstatement, or reactivation, a statement, to be made
3 under penalty of perjury, as to whether there are any unsatisfied
4 judgments against the applicant on behalf of contractors,
5 subcontractors, consumers, materials suppliers, or the applicant's
6 employees. Notwithstanding any other provision of law, if it is
7 found that the applicant falsified the statement then the license
8 will be retroactively suspended to the date of issuance and the
9 license will stay suspended until the bond, satisfaction of judgment,
10 or notarized copy of any accord applicable under this section is
11 filed.

12 (b) Notwithstanding any other provision of law, all licensees
13 shall notify the registrar in writing of any unsatisfied final judgment
14 imposed on the licensee. If the licensee fails to notify the registrar
15 in writing within 90 days, the license shall be automatically
16 suspended on the date that the registrar is informed, or is made
17 aware of the unsatisfied final judgment. The suspension shall not
18 be removed until proof of satisfaction of the judgment, or in lieu
19 thereof, a notarized copy of an accord is submitted to the registrar.
20 If the licensee notifies the registrar in writing within 90 days of
21 the imposition of any unsatisfied final judgment, the licensee shall,
22 as a condition to the continual maintenance of the license, file or
23 have on file with the board a bond sufficient to guarantee payment
24 of an amount equal to all unsatisfied judgments applicable under
25 this section. The licensee has 90 days from date of notification by
26 the board to file the bond or at the end of the 90 days the license
27 shall be automatically suspended. In lieu of filing the bond required
28 by this section, the licensee may provide the board with a notarized
29 copy of any accord reached with any individual holding an
30 unsatisfied final judgment.

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

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

38 (e) This section applies only with respect to an unsatisfied final
39 judgment that is substantially related to the construction activities

1 of a licensee licensed under this chapter, or to the qualifications,
2 functions, or duties of the license.

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

6 (g) Except as otherwise provided, the bond shall remain in full
7 force in the amount posted until the entire debt is satisfied. If, at
8 the time of renewal, the licensee submits proof of partial
9 satisfaction of the financial obligations covered by this section,
10 the board may authorize the bond to be reduced to the amount of
11 the unsatisfied portion of the outstanding judgment. When the
12 licensee submits proof of satisfaction of all debts, the bond
13 requirement may be removed.

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

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

21 (j) The qualifying person and any partner of the licensee or
22 personnel of the licensee named as a judgment debtor in an
23 unsatisfied final judgment shall be automatically prohibited from
24 serving as an officer, director, associate, partner, owner, manager,
25 qualifying individual, or other personnel of record of another
26 licensee. This prohibition shall cause the license of any other
27 existing renewable licensed entity with any of the same personnel
28 of record as the judgment debtor licensee to be suspended until
29 the license of the judgment debtor is reinstated or until those same
30 personnel of record disassociate themselves from the renewable
31 licensed entity.

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

34 (l) Notwithstanding subdivision (f), the failure of a licensee to
35 notify the registrar of an unsatisfied final judgment in accordance
36 with this section is cause for disciplinary action.

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

39 ~~7071.19. (a) As a condition of the issuance, reinstatement,~~
40 ~~reactivation, or continued valid use of a license under this chapter,~~

1 in addition to any bond required under this article, a limited liability
2 company shall be required to provide security for claims as
3 described in this section. For claims based upon acts, errors, or
4 omissions arising out of the contracting services it provides, the
5 limited liability company shall comply with one, or pursuant to
6 subdivision (b) some combination, of the following:

7 (1) ~~Maintain a policy or policies of insurance against liability~~
8 ~~imposed on or against it by law for damages arising out of claims.~~
9 ~~However, the total aggregate limit of liability under the policy or~~
10 ~~policies of insurance for a limited liability company that employs~~
11 ~~five or fewer licensed persons shall not be less than one million~~
12 ~~dollars (\$1,000,000), and for a limited liability company that~~
13 ~~employs more than five licensees rendering professional services~~
14 ~~on behalf of the company, an additional one hundred thousand~~
15 ~~dollars (\$100,000) of insurance shall be obtained for each licensee~~
16 ~~except that the maximum amount of insurance is not required to~~
17 ~~exceed five million dollars (\$5,000,000) in any one designated~~
18 ~~period, less amounts paid in defending, settling, or discharging~~
19 ~~claims as set forth in this paragraph. The policy or policies may~~
20 ~~be issued on a claims-made or occurrence basis, and shall cover:~~
21 ~~(A) in the case of a claims-made policy, claims initially asserted~~
22 ~~in the designated period, and (B) in the case of an occurrence~~
23 ~~policy, occurrences during the designated period. For purposes of~~
24 ~~this paragraph, “designated period” means a policy year or any~~
25 ~~other period designated in the policy that is not greater than 12~~
26 ~~months. The impairment or exhaustion of the aggregate limit of~~
27 ~~liability by amounts paid under the policy in connection with the~~
28 ~~settlement, discharge, or defense of claims applicable to a~~
29 ~~designated period shall not require the company to acquire~~
30 ~~additional insurance coverage for that designated period. The policy~~
31 ~~or policies of insurance may be in a form reasonably available in~~
32 ~~the commercial insurance market and may be subject to those~~
33 ~~terms, conditions, exclusions, and endorsements that are typically~~
34 ~~contained in those policies. A policy or policies of insurance~~
35 ~~maintained pursuant to this subparagraph may be subject to a~~
36 ~~deductible or self-insured retention.~~

37 ~~Upon the dissolution and winding up of the company, the~~
38 ~~company shall, with respect to any insurance policy or policies~~
39 ~~then maintained pursuant to this paragraph, maintain or obtain an~~
40 ~~extended reporting period endorsement or equivalent provision in~~

1 the maximum total aggregate limit of liability required to comply
2 with this paragraph for a minimum of three years if reasonably
3 available from the insurer.

4 ~~(2) Maintain in trust or bank escrow, cash, bank certificates of
5 deposit, United States Treasury obligations, bank letters of credit,
6 or bonds of insurance or surety companies as security for payment
7 of liabilities imposed by law for damages arising out of all claims.
8 However, the maximum amount of security for a limited liability
9 company that employs five or fewer licensed persons shall not be
10 less than one million dollars (\$1,000,000), and for a limited liability
11 company that employs more than five licensees rendering
12 professional services on behalf of the company, an additional one
13 hundred thousand dollars (\$100,000) of security shall be obtained
14 for each licensee except that the maximum amount of security is
15 not required to exceed five million dollars (\$5,000,000). The
16 company remains in compliance with this section during a calendar
17 year notwithstanding amounts paid during that calendar year from
18 the accounts, funds, Treasury obligations, letters of credit, or bonds
19 in defending, settling, or discharging claims of the type described
20 in this paragraph, provided that the amount of those accounts,
21 funds, Treasury obligations, letters of credit, or bonds were at least
22 the amount specified in the preceding sentence as of the first
23 business day of that calendar year. Notwithstanding the pendency
24 of other claims against the company, a limited liability company
25 shall be deemed to be in compliance with this paragraph as to a
26 claim if within 30 days after the time that a claim is initially
27 asserted through service of a summons, complaint, or comparable
28 pleading in a judicial or administrative proceeding, the company
29 has provided the required amount of security by designating and
30 segregating funds in compliance with the requirements of this
31 paragraph.~~

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

36 ~~(c) At the time of licensing pursuant to this article, a limited
37 liability company shall file with the registrar information, in the
38 manner prescribed by the registrar, and accompanied by all
39 documentation requested by the registrar, demonstrating
40 compliance with the financial security requirements of this section.~~

1 ~~(d) If the security requirements of this section are satisfied~~
2 ~~wholly, or in part, with an insurance policy, then a certification of~~
3 ~~coverage shall be submitted to the commissioner by the licensee~~
4 ~~or applicant, and signed by an authorized agent or employee of~~
5 ~~the insurer. The certification of coverage shall be in a form~~
6 ~~prescribed by the registrar.~~

7 *7071.19. (a) As a condition of the issuance, reinstatement,*
8 *reactivation, or continued valid use of a license under this chapter,*
9 *in addition to any bond required under this article, a limited*
10 *liability company shall, in accordance with the provisions of this*
11 *section, maintain a policy or policies of insurance against liability*
12 *imposed on or against it by law for damages arising out of claims*
13 *based upon acts, errors, or omissions arising out of the contracting*
14 *services it provides.*

15 *(b) The total aggregate limit of liability under the policy or*
16 *policies of insurance required under this section shall be as*
17 *follows:*

18 *(1) For a limited liability company licensee with five or fewer*
19 *persons listed on the members of the personnel of record, the*
20 *aggregate limit shall not be less than one million dollars*
21 *(\$1,000,000).*

22 *(2) For a limited liability company licensee with more than five*
23 *persons listed on the members of the personnel of record, an*
24 *additional one hundred thousand dollars (\$100,000) of insurance*
25 *shall be obtained for each person listed on the personnel of record*
26 *of the licensee except that the maximum amount of insurance is*
27 *not required to exceed five million dollars (\$5,000,000) in any one*
28 *designated period, less amounts paid in defending, settling, or*
29 *discharging claims as set forth under this section.*

30 *(c) The policy or policies required by this section may be issued*
31 *on a claims-made or occurrence basis, and shall cover: (1) in the*
32 *case of a claims-made policy, claims initially asserted in the*
33 *designated period, and (2) in the case of an occurrence policy,*
34 *occurrences during the designated period. For purposes of this*
35 *section, “designated period” means a policy year or any other*
36 *period designated in the policy that is not greater than 12 months.*
37 *Any policy or policies secured to satisfy the provisions of this*
38 *section shall be written by an insurer or insurers duly licensed by*
39 *this state, and may be in a form reasonably available in the*
40 *commercial insurance market and may be subject to those terms,*

1 conditions, exclusions, and endorsements that are typically
2 contained in those policies. A policy or policies of insurance
3 maintained pursuant to this section may be subject to a deductible
4 or self-insured retention.

5 (d) The impairment or exhaustion of the aggregate limit of
6 liability by amounts paid under any policy in connection with the
7 settlement, discharge, or defense of claims applicable to a
8 designated period shall not require the licensee to acquire
9 additional insurance coverage for that designated period. However,
10 the aggregate limit of liability coverage (coverage limit) required
11 by this section shall be reinstated by not later than the
12 commencement date of the next designated period, and the license
13 of any licensee that fails to comply with this provision shall be
14 suspended by operation of law until the date that the licensee
15 complies with the coverage limit requirements of this section. In
16 addition, the amount to which any coverage limit is depleted may
17 be reported on the license record.

18 (e) Upon the dissolution and winding up of the company, the
19 company shall, with respect to any insurance policy or policies
20 then maintained pursuant to this section, maintain or obtain an
21 extended reporting period endorsement or equivalent provision
22 in the maximum total aggregate limit of liability required to comply
23 with this paragraph for a minimum of three years if reasonably
24 available from the insurer.

25 (f) Prior to the issuance, reinstatement, or reactivation of a
26 limited liability company license as provided under this chapter,
27 the applicant or licensee shall file in the manner prescribed by the
28 registrar, submit the information and documentation required by
29 this section and requested by the registrar, demonstrating
30 compliance with the financial security requirements specified by
31 this section.

32 (g) For any insurance policy secured by a licensee in satisfaction
33 of this section, a Certificate of Liability Insurance, signed by an
34 authorized agent or employee of the insurer, shall be submitted
35 electronically or otherwise to the registrar. The insurer issuing
36 the certificate shall report to the registrar the following information
37 for any policy required under this section: name, license number,
38 policy number, dates that coverage is scheduled to commence and
39 lapse, the date and amount of any payment of claims, and
40 cancellation date if applicable.

1 *(h) Upon the issuance, reinstatement, or reactivation of a license*
2 *under this section, the registrar may post the following information*
3 *to the licensee's license record on the Internet:*

4 *(1) The name of the insurer or insurers providing the liability*
5 *policy or policies submitted by the licensee for the most recent*
6 *designated period.*

7 *(2) The policy number(s) and the sum of the aggregate limit of*
8 *liability provided by each.*

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

11 7072.5. (a) Upon the issuance of a license, a plasticized pocket
12 card of a size, design, and content as may be determined by the
13 registrar shall be issued at no cost to each licensee, or to the
14 partners, managers, officers, or responsible managing officers of
15 licensees licensed as other than individuals, which card shall be
16 evidence that the licensee is duly licensed pursuant to this chapter.
17 All cards issued shall be surrendered upon the suspension,
18 revocation, or denial of renewal of the license, and shall be mailed
19 or delivered to the board within five days of the suspension,
20 revocation, or denial.

21 (b) When a person to whom a card is issued terminates his or
22 her position, office, or association with a licensee that is licensed
23 as other than an individual, that person shall surrender his or her
24 card to the licensee and within five days thereafter the card shall
25 be mailed or delivered by the licensee to the board for cancellation.

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

28 7075.1. (a) No license, regardless of type or classification,
29 shall be transferable to any other person or entity under any
30 circumstances.

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

34 (1) To an individual upon application.

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

37 (3) To a corporation upon application if there is no change in
38 the status of the corporation as registered with the Secretary of
39 State.

1 (4) To a limited liability company upon application if there is
2 no change in the status of the company as registered with the
3 Secretary of State.

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

6 (1) To a corporation when the parent corporation has merged
7 or created a subsidiary, the subsidiary has merged into the parent
8 corporation, or the corporation has changed its filing status with
9 the Secretary of State from a domestic corporation to a foreign
10 corporation or from a foreign corporation to a domestic corporation,
11 and the new entity is being formed to continue the business of the
12 formerly licensed corporation.

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

22 (3) To an individual when the individual is an immediate family
23 member of a licensed individual who is deceased or absent and
24 the license is required to continue an existing family contracting
25 business.

26 (4) To a corporation or limited liability company when created
27 by immediate members of an individual licensee’s family to
28 continue an existing deceased or absent individual licensee’s
29 contracting business.

30 (5) To a corporation or limited liability company when the
31 corporation or limited liability company is formed by an individual
32 licensee and the individual licensee maintains ownership directly
33 or indirectly of shares or membership interests evidencing more
34 than 50 percent of the voting power.

35 (6) To a corporation or limited liability company that acquires
36 a licensee pursuant to an asset sale provided that the corporation
37 or limited liability company has a qualifier as required by Section
38 7068.

39 (7) *To a limited liability company that is formed by a*
40 *corporation to continue the business of the corporation subsequent*

1 *to the cancellation of the corporate entity's license, provided the*
2 *personnel listed for each entity are the same.*

3 For purposes of this section, an immediate family member of a
4 deceased or absent licensed individual is either a spouse, father,
5 mother, brother, sister, son, daughter, stepson, stepdaughter,
6 grandson, granddaughter, son-in-law, or daughter-in-law.

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

9 7076. (a) An individual license shall be canceled upon the
10 death of a person licensed as an individual. An immediate member
11 of the family of the deceased licensee may request a continuance
12 of the license to complete projects in progress and undertake new
13 work for a reasonable amount of time to be determined by rules
14 of the board. The request for a continuance must be made in writing
15 and received at the board's headquarters office within 90 days
16 after the death. Approval of the continuance of an individual license
17 may be contingent upon meeting the bond requirements of Sections
18 7071.5 and 7071.6 within 90 days of notification by the board of
19 that requirement. The immediate member of the family must apply
20 for and obtain his or her own license to continue contracting after
21 the continuance expires.

22 (b) A partnership license shall be canceled upon the death of a
23 general partner. The remaining partner or partners shall notify the
24 registrar in writing within 90 days of the death of a general partner.
25 Failure to notify the registrar within 90 days of the death is grounds
26 for disciplinary action.

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

35 (c) A partnership license shall be canceled upon the
36 disassociation of a general partner or upon the dissolution of the
37 partnership. The disassociating partner or the remaining partner
38 or partners shall notify the registrar in writing within 90 days of
39 the disassociation of a general partner or dissolution of the
40 partnership. Failure to notify the registrar of the disassociation or

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

14 (d) The general partner or partners shall notify the registrar in
15 writing within 90 days of the death of a limited partner. Failure to
16 notify the registrar within 90 days of the death is grounds for
17 disciplinary action.

18 The death of a limited partner will not affect the partnership
19 license unless the partnership license has only one limited partner.
20 In this case, the license will be canceled upon the death of the
21 limited partner unless a new limited partner is added to the license
22 within 90 days of the death.

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

31 (e) The general partner or partners shall notify the registrar in
32 writing within 90 days of the disassociation of a limited partner.
33 Failure to notify the registrar of the disassociation, within 90 days,
34 shall cause the disassociation to be effective the date the written
35 notification is received at the board's headquarters office. Failure
36 to notify the registrar within 90 days of the disassociation is
37 grounds for disciplinary action.

38 The disassociation of a limited partner will not affect the
39 partnership license unless the partnership license has only one
40 limited partner. In this case, the license will be canceled upon the

1 disassociation of the limited partner unless a new limited partner
2 is added to the license within 90 days of the disassociation. If the
3 license is canceled, the remaining general partner or partners may
4 request a continuance of the license to complete projects contracted
5 for or in progress prior to the date of disassociation for a reasonable
6 amount of time to be determined by rules of the board. The request
7 for a continuance must be made in writing and received at the
8 board's headquarters office within 90 days after the death. The
9 remaining general partner or partners must apply for and obtain a
10 new license to undertake new work and to continue contracting
11 after the continuance expires.

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

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

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

34 (h) A corporation license shall be canceled upon the
35 corporation's dissolution, merger, or surrender of its right to do
36 business in this state. The corporation shall notify the registrar in
37 writing within 90 days of the dissolution, merger, or surrender.
38 Failure to notify the registrar of the dissolution, merger, or
39 surrender within 90 days shall cause the license to be canceled
40 effective the date written notification is received at the board's

1 headquarters office. If the corporation fails to notify the board of
2 the dissolution, merger, or surrender, the corporation license shall
3 be canceled 60 days after the board's discovery when researching
4 the corporate records of the Secretary of State. Failure to notify
5 the registrar within 90 days of the dissolution, merger, or surrender
6 is grounds for disciplinary action.

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

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

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

26 7076.2. (a) Notwithstanding any other provision of law, the
27 failure of a contractor licensed to do business as a corporation or
28 limited liability company in this state to be registered and in good
29 standing with the Secretary of State after notice from the registrar
30 shall result in the automatic suspension of the license by operation
31 of law. The registrar shall notify the licensee in writing of its failure
32 to be registered and in good standing with the Secretary of State
33 and that the licensee shall be suspended 30 days from the date of
34 the notice if the licensee does not provide proof satisfactory to the
35 registrar that it is properly registered and in good standing with
36 the Secretary of State. Reinstatement may be made at any time
37 following the suspension by providing proof satisfactory to the
38 registrar that the license is properly registered and in good standing.

39 (b) Where the license of a limited liability company is suspended
40 pursuant to subdivision (a), each person within the company

1 identified in Section 7028.5 shall be personally liable up to one
2 million dollars (\$1,000,000) each for damages resulting to third
3 parties in connection with the company's performance, during the
4 period of suspension, of any act or contract where a license is
5 required by this chapter. This personal liability shall not apply
6 where there has been substantial compliance with the licensure
7 requirements, as described in subdivision (e) of Section 7031.

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

10 7085.6. (a) (1) The failure of a licensee to comply with an
11 arbitration award rendered under this article shall result in the
12 automatic suspension of a license by operation of law.

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

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

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

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

37 (b) The licensee shall be automatically prohibited from serving
38 as an officer, director, associate, partner, manager, or qualifying
39 individual of another licensee, for the period determined by the
40 registrar and the employment, election, or association of that person

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

7 *SEC. 22. Section 7090 of the Business and Professions Code*
8 *is amended to read:*

9 7090. The registrar may upon his or her own motion and shall
10 upon the verified complaint in writing of any person, investigate
11 the actions of any applicant, contractor, or home improvement
12 salesperson within the state and may deny the licensure or the
13 renewal of licensure of, or cite, temporarily suspend, or
14 permanently revoke any license or registration if the applicant,
15 licensee, or registrant, is guilty of or commits any one or more of
16 the acts or omissions constituting causes for disciplinary action.

17 The registrar may proceed to take disciplinary action as in this
18 article provided against an applicant or a person licensed or
19 registered under the provisions of this chapter even though the
20 grounds or cause for such disciplinary action arose upon projects
21 or while the applicant, licensee, or registrant was acting in a
22 capacity or under circumstances or facts which, under the
23 provisions of Sections 7044, 7045, 7046, and 7048, would
24 otherwise exempt the person or his or her operations from the
25 provisions of this chapter.

26 Notwithstanding any provision of this chapter, if the registrar
27 finds that any contractor licensed or registered under the provisions
28 of this chapter has willfully and deliberately violated any state or
29 local law relating to the issuance of building permits, other than
30 failure to obtain a county or city permit for repair, maintenance,
31 and adjustment of equipment where such repair, maintenance, or
32 adjustment is valued at less than five hundred dollars (\$500) for
33 labor or materials, or where the repair of a part or component part
34 of mechanical equipment consists of replacing such part or
35 component part of mechanical equipment in need of repair with
36 the identical part or component part, the registrar shall take
37 disciplinary action against the contractor's license in accordance
38 with this chapter.

1 For the purpose of this section, there shall be a rebuttable
2 presumption affecting the burden of proof that construction
3 performed without a permit is a willful and deliberate violation.

4 *For the purposes of this section, with respect to administrative*
5 *proceedings or hearings to suspend or revoke a contractor's*
6 *license issued to a limited liability company, the registrar at all*
7 *times shall have the burden of proof to establish by clear and*
8 *convincing evidence that he or she is entitled to the relief sought*
9 *in the petition.*

10 ~~SEC. 22.~~

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

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

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

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

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

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

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

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

15 ~~SEC. 23.~~

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

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

26 ~~SEC. 24.~~

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

29 7121. A person who has been denied a license for a reason
30 other than failure to document sufficient satisfactory experience
31 for a supplemental classification for an existing license, or who
32 has had his or her license revoked, or whose license is under
33 suspension, or who has failed to renew his or her license while it
34 was under suspension, or who has been a partner, officer, director,
35 manager, or associate of any partnership, corporation, limited
36 liability company, firm, or association whose application for a
37 license has been denied for a reason other than failure to document
38 sufficient satisfactory experience for a supplemental classification
39 for an existing license, or whose license has been revoked, or
40 whose license is under suspension, or who has failed to renew a

1 license while it was under suspension, and while acting as a partner,
2 officer, director, manager, or associate had knowledge of or
3 participated in any of the prohibited acts for which the license was
4 denied, suspended, or revoked, shall be prohibited from serving
5 as an officer, director, associate, partner, manager, ~~or~~ qualifying
6 individual, *or member of the personnel of record* of a licensee,
7 and the employment, election, or association of this type of person
8 by a licensee in any capacity other than as a nonsupervising bona
9 fide employee shall constitute grounds for disciplinary action.

10 ~~SEC. 25.~~

11 *SEC. 26.* Section 7121.1 of the Business and Professions Code
12 is amended to read:

13 7121.1. Notwithstanding any other provision of this chapter,
14 the disassociation of a partner, officer, director, manager, or
15 associate from the license of a partnership, corporation, limited
16 liability company, firm, or association whose license has been
17 cited pursuant to Section 7099 shall not relieve the partner, officer,
18 director, manager, or associate from responsibility for complying
19 with the citation if he or she had knowledge of, or participated in,
20 any of the prohibited acts for which the citation was issued. Section
21 7121 shall apply to a partner, officer, director, manager, or
22 associate of a licensee that fails to comply with a citation after it
23 is final.

24 ~~SEC. 26.~~

25 *SEC. 27.* Section 7121.5 of the Business and Professions Code
26 is amended to read:

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

36 ~~SEC. 27.~~

37 *SEC. 28.* Section 7121.6 of the Business and Professions Code
38 is amended to read:

39 7121.6. (a) An individual who meets all of the following
40 criteria shall not perform any act regulated under this chapter for

1 or on behalf of a licensee, other than as a bona fide nonsupervising
2 employee:

3 (1) The individual was *listed as* an officer, director, owner,
4 manager, ~~or~~ partner, *or associate* of a license that was revoked.

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

7 (3) The individual is not eligible for reinstatement for licensure
8 under Section 7102.

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

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

14 (2) The individual served in the capacity of the qualifying
15 individual during the commission or omission of any of the acts
16 that resulted in the revocation of the license, whether or not he or
17 she had knowledge of or participated in those acts.

18 (3) The individual is not eligible for reinstatement for licensure
19 under Section 7102.

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

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

30 ~~SEC. 28.~~

31 *SEC. 29.* Section 7122 of the Business and Professions Code
32 is amended to read:

33 7122. The performance by an individual, partnership,
34 corporation, limited liability company, firm, or association of an
35 act or omission constituting a cause for disciplinary action, likewise
36 constitutes a cause for disciplinary action against a licensee other
37 than the individual qualifying on behalf of the individual or entity,
38 if the licensee was a partner, officer, director, manager, or associate
39 of that individual, partnership, corporation, limited liability
40 company, firm, or association at the time the act or omission

1 occurred, and had knowledge of or participated in the prohibited
2 act or omission.

3 ~~SEC. 29.~~

4 *SEC. 30.* Section 7122.1 of the Business and Professions Code
5 is amended to read:

6 7122.1. Notwithstanding Section 7068.2 or any other provision
7 of this chapter, the disassociation of a qualifying individual from
8 a license after the act or omission has occurred that resulted in a
9 citation pursuant to Section 7099 shall not relieve the qualifying
10 individual from responsibility for complying with the citation.
11 Section 7122.5 shall apply to a qualifying individual of a licensee
12 that fails to comply with a citation after it is final.

13 ~~SEC. 30.~~

14 *SEC. 31.* Section 7122.2 of the Business and Professions Code
15 is amended to read:

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

24 (b) Section 7122.5 shall apply to a qualifying individual of a
25 licensee that fails to comply with an arbitration award once it is
26 rendered.

27 ~~SEC. 31.~~

28 *SEC. 32.* Section 7122.5 of the Business and Professions Code
29 is amended to read:

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

38 ~~SEC. 32.~~

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

- 1 7137. The board shall set fees by regulation. These fees shall
2 not exceed the following schedule:
- 3 (a) The application fee for an original license in a single
4 classification shall not be more than three hundred dollars (\$300).
5 The application fee for each additional classification applied for
6 in connection with an original license shall not be more than
7 seventy-five dollars (\$75).
8 The application fee for each additional classification pursuant
9 to Section 7059 shall not be more than seventy-five dollars (\$75).
10 The application fee to replace a responsible managing officer,
11 responsible managing manager, responsible managing member,
12 or responsible managing employee pursuant to Section 7068.2
13 shall not be more than seventy-five dollars (\$75).
- 14 (b) The fee for rescheduling an examination for an applicant
15 who has applied for an original license, additional classification,
16 a change of responsible managing officer, responsible managing
17 manager, responsible managing member, or responsible managing
18 employee, or for an asbestos certification or hazardous substance
19 removal certification, shall not be more than sixty dollars (\$60).
20 (c) The fee for scheduling or rescheduling an examination for
21 a licensee who is required to take the examination as a condition
22 of probation shall not be more than sixty dollars (\$60).
23 (d) The initial license fee for an active or inactive license shall
24 not be more than one hundred eighty dollars (\$180).
25 (e) The renewal fee for an active license shall not be more than
26 three hundred sixty dollars (\$360).
27 The renewal fee for an inactive license shall not be more than
28 one hundred eighty dollars (\$180).
29 (f) The delinquency fee is an amount equal to 50 percent of the
30 renewal fee, if the license is renewed after its expiration.
31 (g) The registration fee for a home improvement salesperson
32 shall not be more than seventy-five dollars (\$75).
33 (h) The renewal fee for a home improvement salesperson
34 registration shall not be more than seventy-five dollars (\$75).
35 (i) The application fee for an asbestos certification examination
36 shall not be more than seventy-five dollars (\$75).
37 (j) The application fee for a hazardous substance removal or
38 remedial action certification examination shall not be more than
39 seventy-five dollars (\$75).

1 (k) In addition to any other fees charged to C-10 and C-7
2 contractors, the board may charge a fee not to exceed twenty dollars
3 (\$20), which shall be used by the board to enforce provisions of
4 the Labor Code related to electrician certification.

5 ~~SEC. 33.~~

6 *SEC. 34.* Section 7138 of the Business and Professions Code
7 is amended to read:

8 7138. Notwithstanding any other provision of law, a fee paid
9 in connection with a service or application covered by Section
10 7137 shall accrue to the Contractors' License Fund as an earned
11 fee and shall not be refunded.

12 ~~SEC. 34.~~

13 *SEC. 35.* Section 7152 of the Business and Professions Code
14 is amended to read:

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

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

23 (1) An officer of record of a corporation licensed pursuant to
24 this chapter, or a manager of record of a limited liability company
25 licensed pursuant to this chapter.

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

28 (3) A qualifying person, as defined in Section 7025.

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

34 (5) A person who contacts the prospective buyer for the
35 exclusive purpose of scheduling appointments for a registered
36 home improvement salesperson.

37 (6) A bona fide service repairperson who is in the employ of a
38 licensed contractor and whose repair or service call is limited to
39 the service, repair, or emergency repair initially requested by the
40 buyer of the service.

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

7 ~~SEC. 35.~~

8 *SEC. 36.* Section 7159 of the Business and Professions Code
9 is amended to read:

10 7159. (a) (1) This section identifies the projects for which a
11 home improvement contract is required, outlines the contract
12 requirements, and lists the items that shall be included in the
13 contract, or may be provided as an attachment.

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

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

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

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

31 (b) For purposes of this section, “home improvement contract”
32 means an agreement, whether oral or written, or contained in one
33 or more documents, between a contractor and an owner or between
34 a contractor and a tenant, regardless of the number of residence
35 or dwelling units contained in the building in which the tenant
36 resides, if the work is to be performed in, to, or upon the residence
37 or dwelling unit of the tenant, for the performance of a home
38 improvement, as defined in Section 7151, and includes all labor,
39 services, and materials to be furnished and performed thereunder,
40 if the aggregate contract price specified in one or more

1 improvement contracts, including all labor, services, and materials
2 to be furnished by the contractor, exceeds five hundred dollars
3 (\$500). “Home improvement contract” also means an agreement,
4 whether oral or written, or contained in one or more documents,
5 between a salesperson, whether or not he or she is a home
6 improvement salesperson, and an owner or a tenant, regardless of
7 the number of residence or dwelling units contained in the building
8 in which the tenant resides, which provides for the sale, installation,
9 or furnishing of home improvement goods or services.

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

14 (1) The writing shall be legible.

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

19 (3) (A) Before any work is started, the contractor shall give the
20 buyer a copy of the contract signed and dated by both the contractor
21 and the buyer. The buyer’s receipt of the copy of the contract
22 initiates the buyer’s rights to cancel the contract pursuant to
23 Sections 1689.5 to 1689.14, inclusive, of the Civil Code.

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

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

28 (ii) The name and address of the contractor to which the
29 applicable “Notice of Cancellation” is to be mailed, immediately
30 preceded by a statement advising the buyer that the “Notice of
31 Cancellation” may be sent to the contractor at the address noted
32 on the contract.

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

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

5 (6) The contract shall contain, in close proximity to the
6 signatures of the owner and contractor, a notice stating that the
7 owner or tenant has the right to require the contractor to have a
8 performance and payment bond.

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

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

15 (d) A home improvement contract and any changes to the
16 contract shall be in writing and signed by the parties to the contract
17 prior to the commencement of work covered by the contract or an
18 applicable change order and, except as provided in paragraph (8)
19 of subdivision (a) of Section 7159.5, shall include or comply with
20 all of the following:

21 (1) The name, business address, and license number of the
22 contractor.

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

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

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

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

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

37 (7) The heading: “Description of the Project and Description
38 of the Significant Materials to be Used and Equipment to be
39 Installed,” followed by a description of the project and a description
40 of the significant materials to be used and equipment to be installed.

1 For swimming pools, the project description required under this
2 paragraph also shall include a plan and scale drawing showing the
3 shape, size, dimensions, and the construction and equipment
4 specifications.

5 (8) If a downpayment will be charged, the details of the
6 downpayment shall be expressed in substantially the following
7 form, and shall include the text of the notice as specified in
8 subparagraph (C):

9 (A) The heading: “Downpayment.”

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

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

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

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

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

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

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

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

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

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

- 1 (C) The approximate date on which work will be commenced.
- 2 (11) The estimated completion date of the work shall be
- 3 referenced in the contract in substantially the following form:
- 4 (A) The heading: "Approximate Completion Date."
- 5 (B) The approximate date of completion.
- 6 (12) If applicable, the heading: "List of Documents to be
- 7 Incorporated into the Contract," followed by the list of documents
- 8 incorporated into the contract.
- 9 (13) The heading: "Note About Extra Work and Change Orders,"
- 10 followed by the following statement:
- 11 "Extra Work and Change Orders become part of the contract
- 12 once the order is prepared in writing and signed by the parties prior
- 13 to the commencement of work covered by the new change order.
- 14 The order must describe the scope of the extra work or change,
- 15 the cost to be added or subtracted from the contract, and the effect
- 16 the order will have on the schedule of progress payments."
- 17 (e) Except as provided in paragraph (8) of subdivision (a) of
- 18 Section 7159.5, all of the following notices shall be provided to
- 19 the owner as part of the contract form as specified or, if otherwise
- 20 authorized under this subdivision, may be provided as an
- 21 attachment to the contract:
- 22 (1) ~~(A)~~—A notice concerning commercial general liability
- 23 insurance. This notice may be provided as an attachment to the
- 24 contract if the contract includes the following statement: "A notice
- 25 concerning commercial general liability insurance is attached to
- 26 this contract." The notice shall include the heading "Commercial
- 27 General Liability Insurance (CGL)," followed by whichever of
- 28 the following statements is both relevant and correct:
- 29 (A) "(The name on the license or 'This contractor') does not
- 30 carry commercial general liability insurance."
- 31 (B) "(The name on the license or 'This contractor') carries
- 32 commercial general liability insurance written by (the insurance
- 33 company). You may call (the insurance company) at _____
- 34 to check the contractor's insurance coverage."
- 35 (C) "(The name on the license or 'This contractor') is
- 36 self-insured."
- 37 (D) "(The name on the license or '~~This contractor~~) *contractor*'
- 38 is a limited liability company that carries liability insurance or
- 39 maintains other security as required by law. You may call (the

1 insurance company or trust company or bank) at ____ to check on
2 the contractor’s insurance coverage or security.”

3 (2) A notice concerning workers’ compensation insurance. This
4 notice may be provided as an attachment to the contract if the
5 contract includes the statement: “A notice concerning workers’
6 compensation insurance is attached to this contract.” The notice
7 shall include the heading “Workers’ Compensation Insurance”
8 followed by whichever of the following statements is correct:

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

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

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

16 (A) A statement that the buyer may not require a contractor to
17 perform extra or change-order work without providing written
18 authorization prior to the commencement of work covered by the
19 new change order.

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

24 (i) The scope of work encompassed by the order.

25 (ii) The amount to be added or subtracted from the contract.

26 (iii) The effect the order will make in the progress payments or
27 the completion date.

28 (C) A statement informing the buyer that the contractor’s failure
29 to comply with the requirements of this paragraph does not
30 preclude the recovery of compensation for work performed based
31 upon legal or equitable remedies designed to prevent unjust
32 enrichment.

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

35 “MECHANICS’ LIEN WARNING:

36 Anyone who helps improve your property, but who is not paid,
37 may record what is called a mechanics’ lien on your property. A
38 mechanics’ lien is a claim, like a mortgage or home equity loan,
39 made against your property and recorded with the county recorder.

1 Even if you pay your contractor in full, unpaid subcontractors,
2 suppliers, and laborers who helped to improve your property may
3 record mechanics' liens and sue you in court to foreclose the lien.
4 If a court finds the lien is valid, you could be forced to pay twice
5 or have a court officer sell your home to pay the lien. Liens can
6 also affect your credit.

7 To preserve their right to record a lien, each subcontractor and
8 material supplier must provide you with a document called a
9 '20-day Preliminary Notice.' This notice is not a lien. The purpose
10 of the notice is to let you know that the person who sends you the
11 notice has the right to record a lien on your property if he or she
12 is not paid.

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

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

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

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

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

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

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

1 “Information about the Contractors’ State License Board (CSLB):
2 CSLB is the state consumer protection agency that licenses and
3 regulates construction contractors.

4 Contact CSLB for information about the licensed contractor you
5 are considering, including information about disclosable
6 complaints, disciplinary actions, and civil judgments that are
7 reported to CSLB.

8 Use only licensed contractors. If you file a complaint against a
9 licensed contractor within the legal deadline (usually four years),
10 CSLB has authority to investigate the complaint. If you use an
11 unlicensed contractor, CSLB may not be able to help you resolve
12 your complaint. Your only remedy may be in civil court, and you
13 may be liable for damages arising out of any injuries to the
14 unlicensed contractor or the unlicensed contractor’s employees.

15 For more information:

16 Visit CSLB’s Internet Web site at www.cslb.ca.gov

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

18 Write CSLB at P.O. Box 26000, Sacramento, CA 95826.”

19 (6) (A) The notice set forth in subparagraph (B) and entitled
20 “Three-Day Right to Cancel,” shall be provided to the buyer unless
21 the contract is:

22 (i) Negotiated at the contractor’s place of business.

23 (ii) Subject to the “Seven-Day Right to Cancel,” as set forth in
24 paragraph (7).

25 (iii) Subject to licensure under the Alarm Company Act (Chapter
26 11.6 (commencing with Section 7590)), provided the alarm
27 company licensee complies with Sections 1689.5, 1689.6, and
28 1689.7 of the Civil Code, as applicable.

29 (B) “Three-Day Right to Cancel

30 You, the buyer, have the right to cancel this contract within three
31 business days. You may cancel by e-mailing, mailing, faxing, or
32 delivering a written notice to the contractor at the contractor’s
33 place of business by midnight of the third business day after you
34 received a signed and dated copy of the contract that includes this
35 notice. Include your name, your address, and the date you received
36 the signed copy of the contract and this notice.

37 If you cancel, the contractor must return to you anything you
38 paid within 10 days of receiving the notice of cancellation. For
39 your part, you must make available to the contractor at your
40 residence, in substantially as good condition as you received them,

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

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

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

31
 32 “Notice of Cancellation”

33 /enter date of transaction/
 34 _____

35 (Date)
 36

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

39 If you cancel, any property traded in, any payments made by
 40 you under the contract or sale, and any negotiable instrument

1 executed by you will be returned within 10 days following receipt
2 by the seller of your cancellation notice, and any security interest
3 arising out of the transaction will be canceled.

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

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

16
17 To cancel this transaction, mail or deliver a signed and dated copy of this
18 cancellation notice, or any other written notice, or send a telegram
19 to _____,
20 /name of seller/
21 at _____
22 /address of seller’s place of business/
23 not later than midnight of _____.
24 (Date)

25 I hereby cancel this transaction. _____
26 (Date)
27 _____
28 (Buyer’s signature)
29

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

38 “Seven-Day Right to Cancel
39 You, the buyer, have the right to cancel this contract within seven
40 business days. You may cancel by e-mailing, mailing, faxing, or

1 delivering a written notice to the contractor at the contractor's
2 place of business by midnight of the seventh business day after
3 you received a signed and dated copy of the contract that includes
4 this notice. Include your name, your address, and the date you
5 received the signed copy of the contract and this notice.

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

20 (B) The "Seven-Day Right to Cancel" notice required by this
21 subdivision shall comply with all of the following:

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

“Notice of Cancellation”

/enter date of transaction/

(Date)

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

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

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

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

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

to _____,

/name of seller/

at _____

/address of seller’s place of business/

not later than midnight of _____.

(Date)

I hereby cancel this transaction. _____

(Date)

(Buyer’s signature)

1 ~~SEC. 36.~~

2 *SEC. 37.* Section 7159.10 of the Business and Professions Code
3 is amended to read:

4 7159.10. (a) (1) “Service and repair contract” means an
5 agreement between a contractor or salesperson for a contractor,
6 whether a general contractor or a specialty contractor, who is
7 licensed or subject to be licensed pursuant to this chapter with
8 regard to the transaction, and a homeowner or a tenant, for the
9 performance of a home improvement as defined in Section 7151,
10 that conforms to the following requirements:

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

13 (B) The prospective buyer initiated contact with the contractor
14 to request the work.

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

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

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

25 (b) For any contract written pursuant to subdivision (a) or
26 otherwise presented to the buyer as a service and repair contract,
27 unless all of the conforming requirements for service and repair
28 contracts specified in subdivision (a) are met, the contract
29 requirements for home improvements set forth in subdivisions (c),
30 (d), and (e) of Section 7159 shall be applicable, including any
31 rights to rescind the contract as set forth in Section 1689.6 or
32 1689.7 of the Civil Code, regardless of the aggregate contract
33 price.

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

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

39 (1) The contract, any changes to the contract, and any
40 attachments shall be in writing and signed or acknowledged by

1 the parties as set forth in this section, and shall be written in the
2 same language (for example Spanish) as principally used in the
3 oral sales presentation.

4 (2) The writing shall be legible.

5 (3) Any printed form shall be readable. Unless a larger typeface
6 is specified in this article, the text shall be in at least 10-point
7 typeface and the headings shall be in at least 10-point boldface
8 type.

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

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

14 (6) The date the contract was signed.

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

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

24 (B) "(The name on the license or 'This contractor') carries
25 commercial general liability insurance written by (the insurance
26 company). You may call the (insurance company) at ____ to check
27 the contractor's insurance coverage."

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

30 (D) "(The name on the license or 'This contractor') is a limited
31 liability company that carries liability insurance or maintains other
32 security as required by law. You may call (the insurance company
33 or trust company or bank) at ____ to check on the contractor's
34 insurance coverage or security."

35 (8) A notice concerning workers' compensation insurance. This
36 notice may be provided as an attachment to the contract if the
37 contract includes the statement "A notice concerning workers'
38 compensation insurance is attached to this contract." The notice
39 shall include the heading "Workers' Compensation Insurance"

1 followed by whichever of the following statements is both relevant
2 and 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 (e) Every service and repair contract described in subdivision
9 (a) shall provide the following information, notices, and disclosures
10 in the contract:

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

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

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

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

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

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

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

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

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

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

37 (7) Where the contract is estimated by a time and materials
38 formula, the heading “Estimated Contract Price” followed by the
39 estimated contract amount in dollars and cents. The contract must
40 disclose the set rate and the estimated cost of materials. The

1 contract must also disclose how time will be computed, for
2 example, in increments of quarter hours, half hours, or hours, and
3 the statement: “The actual contract amount of a time and materials
4 contract may not exceed the estimated contract amount without
5 written authorization from the buyer.”

6 (8) The heading: “Description of the Project and Materials to
7 be Used and Equipment to be Installed” followed by a description
8 of the project and materials to be used and equipment to be
9 installed.

10 (9) The statement: “The law requires that the contractor offer
11 you any parts that were replaced during the service call. If you do
12 not want the parts, initial the checkbox labeled ‘OK for contractor
13 to take replaced parts.’ ”

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

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

20 (12) (A) The contract, or an attachment to the contract as
21 specified under subparagraph (C) of this paragraph, must include,
22 in immediate proximity to the space reserved for the buyer’s
23 signature, the following statement, in at least 12-point boldface
24 type, which shall be dated and signed by the buyer:

25 “YOUR RIGHTS TO CANCEL BEFORE WORK BEGINS

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

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

29 2. The contractor starts work.

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

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

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

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

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

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

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

32 (B) This paragraph does not apply to home improvement
33 contracts entered into by a person who holds an alarm company
34 operator's license issued pursuant to Chapter 11.6 (commencing
35 with Section 7590), provided the person complies with Sections
36 1689.5, 1689.6, and 1689.7 of the Civil Code, as applicable.

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

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

4 (ii) “The law requires that the contractor give you a notice
5 explaining your right to cancel contracts for the repair or restoration
6 of residential premises damaged by a disaster. Initial the checkbox
7 if the contractor has given you a ‘Notice of Your Right to Cancel.’
8 ”

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

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

15 ~~SEC. 37.~~

16 *SEC. 38.* Section 17002 of the Corporations Code is amended
17 to read:

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

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

37 (c) Notwithstanding Section 17375, a limited liability company
38 may render services that may be lawfully rendered only pursuant
39 to a license, certificate, or registration authorized by the Business
40 and Professions Code if the applicable provisions of the Business

1 and Professions Code authorize a limited liability company to hold
2 that license, certificate, or registration.

3 ~~SEC. 38.~~

4 *SEC. 39.* No reimbursement is required by this act pursuant to
5 Section 6 of Article XIII B of the California Constitution because
6 the only costs that may be incurred by a local agency or school
7 district will be incurred because this act creates a new crime or
8 infraction, eliminates a crime or infraction, or changes the penalty
9 for a crime or infraction, within the meaning of Section 17556 of
10 the Government Code, or changes the definition of a crime within
11 the meaning of Section 6 of Article XIII B of the California
12 Constitution.

13 ~~SEC. 39.~~ ~~This act shall become operative on July 1, 2011.~~

14 *SEC. 40.* *This act shall not become operative until January 1*
15 *of the year following the effective date of the annual budget bill*
16 *in which the Contractors' State License Board receives an*
17 *appropriation for sufficient resources to implement this act and*
18 *the Contractors' State License Board notifies the Secretary of State*
19 *and Legislative Council that there is such an appropriation.*