

AMENDED IN ASSEMBLY SEPTEMBER 4, 2009

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, 7071.7, 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~~ *Sections 7071.6.5 and 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 also require, as a condition precedent to the issuance, reissuance, reinstatement, reactivation, renewal, or continued valid use of a limited liability company license, that the applicant or licensee file or have on file a surety bond in the sum of \$50,000 for damages arising out of specified claims of employees.* The bill would require the limited liability company to 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 *insurance or 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 *limited liability company in those instances, to a limited liability company formed to continue the business of a corporation, and 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’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 this
4 chapter means every person listed in the records of the registrar
5 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 (c) “Qualifying person,” “qualifying individual,” or “qualifier,”
10 as used in this chapter, means a person who qualifies a license
11 pursuant to Section 7068.

12 SEC. 2. Section 7028.5 of the Business and Professions Code
13 is amended to read:

14 7028.5. It is unlawful for a person who is or has been a partner,
15 officer, director, manager, responsible managing employee,
16 responsible managing member, responsible managing manager,
17 or responsible managing officer of, or an individual who is listed
18 in the personnel of record of, a licensed copartnership, corporation,
19 limited liability company, firm, association or other organization
20 to individually engage in the business or individually act in the

1 capacity of a contractor within this state without having a license
2 in good standing to so engage or act.

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

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

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

16 7065. (a) Under rules and regulations adopted by the board
17 and approved by the director, the registrar shall investigate,
18 classify, and qualify applicants for contractors' licenses by written
19 examination. This examination shall include questions designed
20 to show that the applicant has the necessary degree of knowledge
21 required by Section 7068 and shall include pertinent questions
22 relating to the laws of this state, and the contracting business and
23 trade.

24 (b) Contractors' licenses are to be issued to individual owners,
25 copartnerships, corporations, and limited liability companies in
26 accordance with the provisions of this chapter.

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

31 (2) Every person who is a member of a copartnership seeking
32 licensure under this chapter shall be listed on the application as a
33 member of the personnel record.

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

36 (1) An individual owner may qualify by examination for a
37 contractor's license upon the appearance of the owner or a
38 qualifying individual appearing as a responsible managing
39 employee on behalf of the owner.

1 (2) A copartnership may qualify by examination for a
2 contractor’s license upon the appearance of a copartner or a
3 qualifying individual appearing as a responsible managing
4 employee on behalf of the copartnership.

5 (3) A corporation may qualify by examination for a contractor’s
6 license upon the appearance of a qualifying individual appearing
7 either as a responsible managing officer or a responsible managing
8 employee on behalf of the corporation.

9 (4) A limited liability company may qualify by examination for
10 a contractor’s license upon the appearance of a qualifying
11 individual appearing as a responsible managing officer, a
12 responsible managing manager, a responsible managing member,
13 or a responsible managing employee on behalf of the company.

14 (d) No examination shall be required of a qualifying individual
15 if, within the five-year period immediately preceding the
16 application for licensure, the qualifying individual has either
17 personally passed the written examination for the same
18 classification being applied for, or has served as the qualifying
19 individual for a licensee whose license was in good standing at
20 any time during the five-year period immediately preceding the
21 application for licensure and in the same classification being
22 applied for.

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

25 7065.1. Notwithstanding Section 7065, the registrar may waive
26 the examination for a contractor’s license under any of the
27 following circumstances:

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

36 (b) The qualifying individual is an immediate member of the
37 family of a licensee whose individual license was active and in
38 good standing for five of the seven years immediately preceding
39 the application for licensure, and the qualifying individual is able
40 to show all of the following:

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

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

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

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

12 (1) For five of the seven years immediately preceding the
13 application for licensure, the qualifying individual has been
14 continually employed by the corporation or limited liability
15 company in a supervisory capacity in the same classifications being
16 applied for.

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

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

23 For purposes of this section, employees of a corporation or
24 limited liability company shall include, but not be limited to, the
25 officers of a corporation and the officers and managers of a limited
26 liability company.

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

29 7065.5. No license shall be issued to a minor, nor to any
30 copartnership a partner of which is a minor, nor to any corporation
31 any officer, director or responsible managing employee of which
32 is a minor, nor to any limited liability company any officer,
33 manager, or responsible managing employee of which is a minor,
34 nor to any other kind of business organization in which a minor
35 holds a responsible official position, unless the minor shall first
36 have had a guardian appointed by a court of competent jurisdiction.

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

39 7068. (a) The board shall require an applicant to show the
40 degree of knowledge and experience in the classification applied

1 for, and the general knowledge of the building, safety, health, and
2 lien laws of the state and of the administrative principles of the
3 contracting business that the board deems necessary for the safety
4 and protection of the public.

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

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

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

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

19 (4) If a limited liability company, it shall qualify by the
20 appearance of a responsible managing officer, a responsible
21 managing manager, responsible managing member, or a responsible
22 managing employee who is qualified for the same license
23 classification as the classification being applied for.

24 (c) A responsible managing employee for the purpose of this
25 chapter shall mean an individual who is a bona fide employee of
26 the applicant and is actively engaged in the classification of work
27 for which that responsible managing employee is the qualifying
28 person on behalf of the applicant.

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

36 (e) Except in accordance with Section 7068.1, no person
37 qualifying on behalf of an individual or firm under paragraph (1),
38 (2), (3), or (4) of subdivision (b) shall hold any other active
39 contractor's license while acting in the capacity of a qualifying
40 individual pursuant to this section.

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

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

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

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

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

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

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

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

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

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

1 “Person,” as used in this section, is limited to natural persons,
2 notwithstanding the definition of “person” in Section 7025.

3 The board shall require every applicant or licensee qualifying
4 by the appearance of a qualifying individual to submit detailed
5 information on the qualifying individual’s duties and
6 responsibilities for supervision and control of the applicant’s
7 construction operations.

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

10 7068.2. If the responsible managing officer, responsible
11 managing employee, responsible managing member, or responsible
12 managing manager, disassociates from the licensed entity, the
13 licensee, or the qualifier shall notify the registrar in writing, and
14 the licensee shall replace the qualifier, within 90 days from the
15 date of disassociation.

16 To replace a responsible managing officer, responsible managing
17 employee, responsible managing member, or responsible managing
18 manager, the licensee shall file an application as prescribed by the
19 registrar, accompanied by the fee fixed by this chapter, designating
20 an individual to qualify as required by this chapter.

21 Upon failure to replace the qualifier within 90 days of the
22 disassociation the license shall be automatically suspended or the
23 classification removed at the end of the 90 days.

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

31 Upon failure of the licensee or the qualifier to notify the registrar
32 of the disassociation within 90 days from the date of disassociation,
33 the license shall be automatically suspended or the classification
34 removed and the qualifier removed from the license effective the
35 date the written notification is received at the board’s headquarters
36 office.

37 The person qualifying on behalf of a licensee under Section 7068
38 shall be responsible for the licensee’s construction operations until
39 the board receives the written notification of disassociation.

1 Failure of the licensee or the qualifier to notify the registrar of
2 the qualifier's disassociation within 90 days of the disassociation
3 is grounds for disciplinary action.

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

6 7069. (a) An applicant, and each officer, director, partner,
7 manager, associate, and responsible managing employee thereof,
8 shall not have committed acts or crimes that are grounds for denial
9 of licensure under Section 480.

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

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

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

31 SEC. 12. Section 7071.6.5 is added to the Business and
32 Professions Code, to read:

33 7071.6.5. (a) *The board shall require as a condition precedent*
34 *to the issuance, reissuance, reinstatement, reactivation, renewal,*
35 *or continued valid use of a limited liability company license, that*
36 *the applicant or licensee file or have on file a surety bond in the*
37 *sum of fifty thousand dollars (\$50,000).*

38 (b) *The bond required by this section shall be executed by an*
39 *admitted surety in favor of the State of California, in a form*

1 acceptable to the registrar and filed with the registrar,
 2 electronically or otherwise, by the applicant or licensee.

3 (c) The bond required by this section shall be for the benefit of
 4 any employee damaged by his or her employer's failure to pay
 5 wages, interest on wages, or fringe benefits.

6 (d) If an applicant or licensee subject to subdivision (a) is also
 7 a party to a collective bargaining agreement, the bond required
 8 by this section shall also cover, in addition to the coverage
 9 described in subdivision (c), welfare fund contributions, pension
 10 fund contributions, and apprentice program contributions.

11 (e) The bond required by this section shall not be applicable to
 12 a licensee whose license has been inactivated on the official
 13 records of the board during the period the license is inactive.

14 *SEC. 13. Section 7071.7 of the Business and Professions Code*
 15 *is amended to read:*

16 7071.7. (a) Except as provided in subdivision (b), the registrar
 17 shall accept a bond required by Section 7071.6, 7071.6.5, 7071.8,
 18 or 7071.9 as of the effective date shown on the bond, if the bond
 19 is received by the registrar within 90 days after that date, and shall
 20 reinstate the license to which the bond pertains, if otherwise
 21 eligible, retroactive to the effective date of the bond.

22 (b) Notwithstanding subdivision (a), the registrar shall accept
 23 a bond as of the effective date shown on the bond, even if the bond
 24 is not received by the registrar within 90 days after that date, upon
 25 a showing by the licensee, on a form acceptable to the registrar,
 26 that the failure to have a bond on file was due to circumstances
 27 beyond the control of the licensee. The registrar shall reinstate the
 28 license to which the bond pertains, if otherwise eligible, retroactive
 29 to the effective date of the bond.

30 ~~SEC. 12.~~

31 *SEC. 14. Section 7071.8 of the Business and Professions Code*
 32 *is amended to read:*

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

39 (1) A person whose license has been suspended or revoked as
 40 a result of disciplinary action, or a person who was a qualifying

1 individual for a licensee at any time during which cause for
2 disciplinary action occurred resulting in suspension or revocation
3 of the licensee's license, whether or not the qualifying individual
4 had knowledge or participated in the prohibited act or omission.

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

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

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

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

35 (c) The bond is in addition to, may not be combined with, and
36 does not replace any other type of bond required by this chapter.
37 The bond shall remain on file with the registrar for a period of at
38 least two years and for any additional time that the registrar
39 determines. The bond period shall run only while the license is
40 current, active, and in good standing, and shall be extended until

1 the license has been current, active, and in good standing for the
2 required period. Each applicant or licensee shall be required to file
3 only one disciplinary contractor's bond of the type described in
4 this section for each application or license subject to this bond
5 requirement.

6 ~~SEC. 13.~~

7 *SEC. 15.* Section 7071.9 of the Business and Professions Code
8 is amended to read:

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

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

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

38 (d) The qualifying individual for a limited liability company
39 shall not be required to file or have on file a qualifying individual's
40 bond if he or she owns at least a 10-percent membership interest

1 in the limited liability company and certifies to that fact on a form
2 prescribed by the registrar.

3 ~~SEC. 14.~~

4 *SEC. 16.* Section 7071.11 of the Business and Professions Code
5 is amended to read:

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

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

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

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

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

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

38 (d) A claim to recover wages or fringe benefits shall be brought
39 within six months from the date that the wage or fringe benefit
40 delinquencies were discovered, but in no event shall a civil action

1 thereon be brought later than two years from the date the wage or
2 fringe benefit contributions were due.

3 (e) Whenever the surety makes payment on a claim against a
4 bond required by this article, whether or not payment is made
5 through a court action or otherwise, the surety shall, within 30
6 days of the payment, provide notice to the registrar. The notice
7 required by this subdivision shall provide the following information
8 by declaration on a form prescribed by the registrar:

- 9 (1) The name and license number of the contractor.
- 10 (2) The surety bond number.
- 11 (3) The amount of payment.
- 12 (4) The statutory basis upon which the claim is made.
- 13 (5) The names of the person or persons to whom payments have
14 been made.

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

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

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

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

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

1 subdivision shall also be applicable to all licenses covered by the
2 provisions of subdivision (g).

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

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

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

18 ~~SEC. 15.~~

19 *SEC. 17.* Section 7071.17 of the Business and Professions Code
20 is amended to read:

21 7071.17. (a) Notwithstanding any other provision of law, the
22 board shall require, as a condition precedent to accepting an
23 application for licensure, renewal, reinstatement, or to change
24 officers or other personnel of record, that an applicant, previously
25 found to have failed or refused to pay a contractor, subcontractor,
26 consumer, materials supplier, or employee based on an unsatisfied
27 final judgment, file or have on file with the board a bond sufficient
28 to guarantee payment of an amount equal to the unsatisfied final
29 judgment or judgments. The applicant shall have 90 days from the
30 date of notification by the board to file the bond or the application
31 shall become void and the applicant shall reapply for issuance,
32 reinstatement, or reactivation of a license. The board may not issue,
33 reinstate, or reactivate a license until the bond is filed with the
34 board. The bond required by this section is in addition to the
35 contractor's bond. The bond shall be on file for a minimum of one
36 year, after which the bond may be removed by submitting proof
37 of satisfaction of all debts. The applicant may provide the board
38 with a notarized copy of any accord, reached with any individual
39 holding an unsatisfied final judgment, to satisfy a debt in lieu of
40 filing the bond. The board shall include on the license application

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

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

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

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

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

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

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

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

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

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

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

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

35 ~~SEC. 16.~~

36 *SEC. 18.* Section 7071.19 is added to the Business and
37 Professions Code, to read:

38 7071.19. (a) As a condition of the issuance, reinstatement,
39 reactivation, or continued valid use of a license under this chapter,
40 in addition to any bond required under this article, a limited liability

1 company shall, in accordance with the provisions of this section,
2 maintain a policy or policies of insurance against liability imposed
3 on or against it by law for damages arising out of claims based
4 upon acts, errors, or omissions arising out of the contracting
5 services it provides.

6 (b) The total aggregate limit of liability under the policy or
7 policies of insurance required under this section shall be as follows:

8 (1) For a limited liability company licensee with five or fewer
9 persons listed on the members of the personnel of record, the
10 aggregate limit shall not be less than one million dollars
11 (\$1,000,000).

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

20 (c) The policy or policies required by this section may be issued
21 on a claims-made or occurrence basis, and shall cover: (1) in the
22 case of a claims-made policy, claims initially asserted in the
23 designated period, and (2) in the case of an occurrence policy,
24 occurrences during the designated period. For purposes of this
25 section, “designated period” means a policy year or any other
26 period designated in the policy that is not greater than 12 months.
27 Any policy or policies secured to satisfy the provisions of this
28 section shall be written by an insurer or insurers duly licensed by
29 this state, and may be in a form reasonably available in the
30 commercial insurance market and may be subject to those terms,
31 conditions, exclusions, and endorsements that are typically
32 contained in those policies. A policy or policies of insurance
33 maintained pursuant to this section may be subject to a deductible
34 or self-insured retention.

35 (d) The impairment or exhaustion of the aggregate limit of
36 liability by amounts paid under any policy in connection with the
37 settlement, discharge, or defense of claims applicable to a
38 designated period shall not require the licensee to acquire additional
39 insurance coverage for that designated period. However, the
40 aggregate limit of liability coverage (coverage limit) required by

1 this section shall be reinstated by not later than the commencement
2 date of the next designated period, and the license of any licensee
3 that fails to comply with this provision shall be suspended by
4 operation of law until the date that the licensee complies with the
5 coverage limit requirements of this section. In addition, the amount
6 to which any coverage limit is depleted may be reported on the
7 license record.

8 (e) Upon the dissolution and winding up of the company, the
9 company shall, with respect to any insurance policy or policies
10 then maintained pursuant to this section, maintain or obtain an
11 extended reporting period endorsement or equivalent provision in
12 the maximum total aggregate limit of liability required to comply
13 with this ~~paragraph~~ *section* for a minimum of three years if
14 reasonably available from the insurer.

15 (f) Prior to the issuance, reinstatement, or reactivation of a
16 limited liability company license as provided under this chapter,
17 the applicant or licensee shall file, in the manner prescribed by the
18 registrar, submit the information and documentation required by
19 this section and requested by the registrar, demonstrating
20 compliance with the financial security requirements specified by
21 this section.

22 (g) For any insurance policy secured by a licensee in satisfaction
23 of this section, a Certificate of Liability Insurance, signed by an
24 authorized agent or employee of the insurer, shall be submitted
25 electronically or otherwise to the registrar. The insurer issuing the
26 certificate shall report to the registrar the following information
27 for any policy required under this section: name, license number,
28 policy number, dates that coverage is scheduled to commence and
29 lapse, the date and amount of any payment of claims, and
30 cancellation date if applicable.

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

34 (1) The name of the insurer or insurers providing the liability
35 policy or policies submitted by the licensee for the most recent
36 designated period.

37 (2) The policy number(s) and the sum of the aggregate limit of
38 liability provided by each.

1 ~~SEC. 17.~~

2 *SEC. 19.* Section 7072.5 of the Business and Professions Code
3 is amended to read:

4 7072.5. (a) Upon the issuance of a license, a plasticized pocket
5 card of a size, design, and content as may be determined by the
6 registrar shall be issued at no cost to each licensee, or to the
7 partners, managers, officers, or responsible managing officers of
8 licensees licensed as other than individuals, which card shall be
9 evidence that the licensee is duly licensed pursuant to this chapter.
10 All cards issued shall be surrendered upon the suspension,
11 revocation, or denial of renewal of the license, and shall be mailed
12 or delivered to the board within five days of the suspension,
13 revocation, or denial.

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

19 ~~SEC. 18.~~

20 *SEC. 20.* Section 7075.1 of the Business and Professions Code
21 is amended to read:

22 7075.1. (a) No license, regardless of type or classification,
23 shall be transferable to any other person or entity under any
24 circumstances.

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

- 28 (1) To an individual upon application.
- 29 (2) To a partnership upon application if there is no change in
30 the partners or partnership structure.
- 31 (3) To a corporation upon application if there is no change in
32 the status of the corporation as registered with the Secretary of
33 State.
- 34 (4) To a limited liability company upon application if there is
35 no change in the status of the company as registered with the
36 Secretary of State.

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

- 39 (1) To a corporation when the parent corporation has merged
40 or created a subsidiary, the subsidiary has merged into the parent

1 corporation, or the corporation has changed its filing status with
2 the Secretary of State from a domestic corporation to a foreign
3 corporation or from a foreign corporation to a domestic corporation,
4 and the new entity is being formed to continue the business of the
5 formerly licensed corporation.

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

15 (3) To an individual when the individual is an immediate family
16 member of a licensed individual who is deceased or absent and
17 the license is required to continue an existing family contracting
18 business.

19 (4) To a corporation or limited liability company when created
20 by immediate members of an individual licensee's family to
21 continue an existing deceased or absent individual licensee's
22 contracting business.

23 (5) To a corporation or limited liability company when the
24 corporation or limited liability company is formed by an individual
25 licensee and the individual licensee maintains ownership directly
26 or indirectly of shares or membership interests evidencing more
27 than 50 percent of the voting power.

28 (6) To a corporation or limited liability company that acquires
29 a licensee pursuant to an asset sale provided that the corporation
30 or limited liability company has a qualifier as required by Section
31 7068.

32 (7) To a limited liability company that is formed by a
33 corporation to continue the business of the corporation subsequent
34 to the cancellation of the corporate entity's license, provided the
35 personnel listed for each entity are the same.

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

1 ~~SEC. 19.~~

2 *SEC. 21.* Section 7076 of the Business and Professions Code
3 is amended to read:

4 7076. (a) An individual license shall be canceled upon the
5 death of a person licensed as an individual. An immediate member
6 of the family of the deceased licensee may request a continuance
7 of the license to complete projects in progress and undertake new
8 work for a reasonable amount of time to be determined by rules
9 of the board. The request for a continuance must be made in writing
10 and received at the board's headquarters office within 90 days
11 after the death. Approval of the continuance of an individual license
12 may be contingent upon meeting the bond requirements of Sections
13 7071.5 and 7071.6 within 90 days of notification by the board of
14 that requirement. The immediate member of the family must apply
15 for and obtain his or her own license to continue contracting after
16 the continuance expires.

17 (b) A partnership license shall be canceled upon the death of a
18 general partner. The remaining partner or partners shall notify the
19 registrar in writing within 90 days of the death of a general partner.
20 Failure to notify the registrar within 90 days of the death is grounds
21 for disciplinary action.

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

30 (c) A partnership license shall be canceled upon the
31 disassociation of a general partner or upon the dissolution of the
32 partnership. The disassociating partner or the remaining partner
33 or partners shall notify the registrar in writing within 90 days of
34 the disassociation of a general partner or dissolution of the
35 partnership. Failure to notify the registrar of the disassociation or
36 dissolution within 90 days shall cause the license to be canceled
37 effective the date the written notification is received at the board's
38 headquarters office. Failure to notify the registrar within 90 days
39 of the disassociation or dissolution is grounds for disciplinary
40 action. The remaining general partner or partners may request a

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

9 (d) The general partner or partners shall notify the registrar in
10 writing within 90 days of the death of a limited partner. Failure to
11 notify the registrar within 90 days of the death is grounds for
12 disciplinary action.

13 The death of a limited partner will not affect the partnership
14 license unless the partnership license has only one limited partner.
15 In this case, the license will be canceled upon the death of the
16 limited partner unless a new limited partner is added to the license
17 within 90 days of the death.

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

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

33 The disassociation of a limited partner will not affect the
34 partnership license unless the partnership license has only one
35 limited partner. In this case, the license will be canceled upon the
36 disassociation of the limited partner unless a new limited partner
37 is added to the license within 90 days of the disassociation. If the
38 license is canceled, the remaining general partner or partners may
39 request a continuance of the license to complete projects contracted
40 for or in progress prior to the date of disassociation for a reasonable

1 amount of time to be determined by rules of the board. The request
2 for a continuance must be made in writing and received at the
3 board's headquarters office within 90 days after the death. The
4 remaining general partner or partners must apply for and obtain a
5 new license to undertake new work and to continue contracting
6 after the continuance expires.

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

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

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

29 (h) A corporation license shall be canceled upon the
30 corporation's dissolution, merger, or surrender of its right to do
31 business in this state. The corporation shall notify the registrar in
32 writing within 90 days of the dissolution, merger, or surrender.
33 Failure to notify the registrar of the dissolution, merger, or
34 surrender within 90 days shall cause the license to be canceled
35 effective the date written notification is received at the board's
36 headquarters office. If the corporation fails to notify the board of
37 the dissolution, merger, or surrender, the corporation license shall
38 be canceled 60 days after the board's discovery when researching
39 the corporate records of the Secretary of State. Failure to notify

1 the registrar within 90 days of the dissolution, merger, or surrender
2 is grounds for disciplinary action.

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

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

20 ~~SEC. 20:~~

21 *SEC. 22.* Section 7076.2 of the Business and Professions Code
22 is amended to read:

23 7076.2. (a) Notwithstanding any other provision of law, the
24 failure of a contractor licensed to do business as a corporation or
25 limited liability company in this state to be registered and in good
26 standing with the Secretary of State after notice from the registrar
27 shall result in the automatic suspension of the license by operation
28 of law. The registrar shall notify the licensee in writing of its failure
29 to be registered and in good standing with the Secretary of State
30 and that the licensee shall be suspended 30 days from the date of
31 the notice if the licensee does not provide proof satisfactory to the
32 registrar that it is properly registered and in good standing with
33 the Secretary of State. Reinstatement may be made at any time
34 following the suspension by providing proof satisfactory to the
35 registrar that the license is properly registered and in good standing.

36 (b) Where the license of a limited liability company is suspended
37 pursuant to subdivision (a), each person within the company
38 identified in Section 7028.5 shall be personally liable up to one
39 million dollars (\$1,000,000) each for damages resulting to third
40 parties in connection with the company's performance, during the

1 period of suspension, of any act or contract where a license is
2 required by this chapter. This personal liability shall not apply
3 where there has been substantial compliance with the licensure
4 requirements, as described in subdivision (e) of Section 7031.

5 ~~SEC. 21.~~

6 *SEC. 23.* Section 7085.6 of the Business and Professions Code
7 is amended to read:

8 7085.6. (a) (1) The failure of a licensee to comply with an
9 arbitration award rendered under this article shall result in the
10 automatic suspension of a license by operation of law.

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

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

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

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

35 (b) The licensee shall be automatically prohibited from serving
36 as an officer, director, associate, partner, manager, or qualifying
37 individual of another licensee, for the period determined by the
38 registrar and the employment, election, or association of that person
39 by another licensee shall constitute grounds for disciplinary action.
40 A qualifier disassociated pursuant to this section shall be replaced

1 within 90 days from the date of disassociation. Upon failure to
2 replace the qualifier within 90 days of the disassociation, the
3 license of the other licensee shall be automatically suspended or
4 the qualifier's classification removed at the end of the 90 days.

5 ~~SEC. 22.~~

6 *SEC. 24.* Section 7090 of the Business and Professions Code
7 is amended to read:

8 7090. The registrar may upon his or her own motion and shall
9 upon the verified complaint in writing of any person, investigate
10 the actions of any applicant, contractor, or home improvement
11 salesperson within the state and may deny the licensure or the
12 renewal of licensure of, or cite, temporarily suspend, or
13 permanently revoke any license or registration if the applicant,
14 licensee, or registrant, is guilty of or commits any one or more of
15 the acts or omissions constituting causes for disciplinary action.

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

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

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

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

6 ~~SEC. 23.~~

7 *SEC. 25.* Section 7090.1 of the Business and Professions Code
8 is amended to read:

9 7090.1. (a) (1) Notwithstanding any other provisions of law,
10 the failure to pay a civil penalty, or to comply with an order of
11 correction or an order to pay a specified sum to an injured party
12 in lieu of correction once the order has become final, shall result
13 in the automatic suspension of a license by operation of law 30
14 days after noncompliance with the terms of the order.

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

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

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

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

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

12 ~~SEC. 24.~~

13 *SEC. 26.* Section 7096 of the Business and Professions Code
14 is amended to read:

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

23 ~~SEC. 25.~~

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

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

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

7 ~~SEC. 26.~~

8 *SEC. 28.* Section 7121.1 of the Business and Professions Code
9 is amended to read:

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

21 ~~SEC. 27.~~

22 *SEC. 29.* Section 7121.5 of the Business and Professions Code
23 is amended to read:

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

33 ~~SEC. 28.~~

34 *SEC. 30.* Section 7121.6 of the Business and Professions Code
35 is amended to read:

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

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

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

5 (3) The individual is not eligible for reinstatement for licensure
6 under Section 7102.

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

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

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

16 (3) The individual is not eligible for reinstatement for licensure
17 under Section 7102.

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

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

28 ~~SEC. 29.~~

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

31 7122. The performance by an individual, partnership,
32 corporation, limited liability company, firm, or association of an
33 act or omission constituting a cause for disciplinary action, likewise
34 constitutes a cause for disciplinary action against a licensee other
35 than the individual qualifying on behalf of the individual or entity,
36 if the licensee was a partner, officer, director, manager, or associate
37 of that individual, partnership, corporation, limited liability
38 company, firm, or association at the time the act or omission
39 occurred, and had knowledge of or participated in the prohibited
40 act or omission.

1 ~~SEC. 30.~~

2 *SEC. 32.* Section 7122.1 of the Business and Professions Code
3 is amended to read:

4 7122.1. Notwithstanding Section 7068.2 or any other provision
5 of this chapter, the disassociation of a qualifying individual from
6 a license after the act or omission has occurred that resulted in a
7 citation pursuant to Section 7099 shall not relieve the qualifying
8 individual from responsibility for complying with the citation.
9 Section 7122.5 shall apply to a qualifying individual of a licensee
10 that fails to comply with a citation after it is final.

11 ~~SEC. 31.~~

12 *SEC. 33.* Section 7122.2 of the Business and Professions Code
13 is amended to read:

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

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

25 ~~SEC. 32.~~

26 *SEC. 34.* Section 7122.5 of the Business and Professions Code
27 is amended to read:

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

36 ~~SEC. 33.~~

37 *SEC. 35.* Section 7137 of the Business and Professions Code
38 is amended to read:

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

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

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

3 ~~SEC. 34.~~

4 *SEC. 36.* Section 7138 of the Business and Professions Code
5 is amended to read:

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

10 ~~SEC. 35.~~

11 *SEC. 37.* Section 7152 of the Business and Professions Code
12 is amended to read:

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

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

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

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

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

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

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

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

39 (c) The exemption to registration provided under paragraphs
40 (1), (2), and (3) of subdivision (b) shall apply only to those

1 individuals who, at the time of the sales transaction, are listed as
2 personnel of record for the licensee responsible for soliciting,
3 negotiating, or contracting for a service or improvement that is
4 subject to regulation under this article.

5 ~~SEC. 36.~~

6 *SEC. 38.* Section 7159 of the Business and Professions Code
7 is amended to read:

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

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

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

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

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

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

1 (\$500). “Home improvement contract” also means an agreement,
2 whether oral or written, or contained in one or more documents,
3 between a salesperson, whether or not he or she is a home
4 improvement salesperson, and an owner or a tenant, regardless of
5 the number of residence or dwelling units contained in the building
6 in which the tenant resides, which provides for the sale, installation,
7 or furnishing of home improvement goods or services.

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

12 (1) The writing shall be legible.

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

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

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

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

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

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

38 (5) A change-order form for changes or extra work shall be
39 incorporated into the contract and shall become part of the contract

1 only if it is in writing and signed by the parties prior to the
2 commencement of any work covered by a change order.

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

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

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

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

19 (1) The name, business address, and license number of the
20 contractor.

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

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

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

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

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

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

1 shape, size, dimensions, and the construction and equipment
2 specifications.

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

7 (A) The heading: “Downpayment.”

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (B) The approximate date of completion.

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

8 (13) The heading: “Note About Extra Work and Change Orders,”
9 followed by the following statement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 (4) A notice with the heading "Mechanics' Lien Warning"
32 written as follows:

33 "MECHANICS' LIEN WARNING:

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

38 Even if you pay your contractor in full, unpaid subcontractors,
39 suppliers, and laborers who helped to improve your property may
40 record mechanics' liens and sue you in court to foreclose the lien.

1 If a court finds the lien is valid, you could be forced to pay twice
2 or have a court officer sell your home to pay the lien. Liens can
3 also affect your credit.

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

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

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

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

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

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

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

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

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

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

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

12 For more information:

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

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

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

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

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

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

22 (iii) Subject to licensure under the Alarm Company Act (Chapter
23 11.6 (commencing with Section 7590)), provided the alarm
24 company licensee complies with Sections 1689.5, 1689.6, and
25 1689.7 of the Civil Code, as applicable.

26 (B) "Three-Day Right to Cancel

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

34 If you cancel, the contractor must return to you anything you
35 paid within 10 days of receiving the notice of cancellation. For
36 your part, you must make available to the contractor at your
37 residence, in substantially as good condition as you received them,
38 goods delivered to you under this contract or sale. Or, you may,
39 if you wish, comply with the contractor's instructions on how to
40 return the goods at the contractor's expense and risk. If you do

1 make the goods available to the contractor and the contractor does
2 not pick them up within 20 days of the date of your notice of
3 cancellation, you may keep them without any further obligation.
4 If you fail to make the goods available to the contractor, or if you
5 agree to return the goods to the contractor and fail to do so, then
6 you remain liable for performance of all obligations under the
7 contract.”

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

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

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

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

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

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

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

28
29 “Notice of Cancellation”

30 /enter date of transaction/
31 _____

32 (Date)
33

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

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

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

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

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

22 I hereby cancel this transaction. _____
23 (Date)
24 _____
25 (Buyer’s signature)
26

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

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

1 this notice. Include your name, your address, and the date you
2 received the signed copy of the contract and this notice.

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

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

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

37
38 “Notice of Cancellation”

39 /enter date of transaction/
40 _____

1 (Date)

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

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

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

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

22
23 To cancel this transaction, mail or deliver a signed and dated copy of this
24 cancellation notice, or any other written notice, or send a telegram
25 to _____,
26 /name of seller/
27 at _____
28 /address of seller’s place of business/
29 not later than midnight of _____.
30 (Date)

31 I hereby cancel this transaction. _____
32 (Date)
33 _____
34 (Buyer’s signature)

35
36 ~~SEC. 37.~~
37 SEC. 39. Section 7159.10 of the Business and Professions Code
38 is amended to read:
39 7159.10. (a) (1) “Service and repair contract” means an
40 agreement between a contractor or salesperson for a contractor,

1 whether a general contractor or a specialty contractor, who is
2 licensed or subject to be licensed pursuant to this chapter with
3 regard to the transaction, and a homeowner or a tenant, for the
4 performance of a home improvement as defined in Section 7151,
5 that conforms to the following requirements:

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

8 (B) The prospective buyer initiated contact with the contractor
9 to request the work.

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

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

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

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

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

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

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

39 (2) The writing shall be legible.

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

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

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

10 (6) The date the contract was signed.

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

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

20 (B) "(The name on the license or 'This contractor') carries
21 commercial general liability insurance written by (the insurance
22 company). You may call the (insurance company) at ____ to check
23 the contractor's insurance coverage."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 “YOUR RIGHTS TO CANCEL BEFORE WORK BEGINS

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

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

24 2. The contractor starts work.

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

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

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

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

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

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

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

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

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

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

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

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

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

11 ~~SEC. 38.~~

12 *SEC. 40.* Section 17002 of the Corporations Code is amended
13 to read:

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

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

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

1 ~~SEC. 39.~~

2 ~~SEC. 41.~~ No reimbursement is required by this act pursuant to
3 Section 6 of Article XIII B of the California Constitution because
4 the only costs that may be incurred by a local agency or school
5 district will be incurred because this act creates a new crime or
6 infraction, eliminates a crime or infraction, or changes the penalty
7 for a crime or infraction, within the meaning of Section 17556 of
8 the Government Code, or changes the definition of a crime within
9 the meaning of Section 6 of Article XIII B of the California
10 Constitution.

11 ~~SEC. 40.~~

12 ~~SEC. 42.~~ This act shall not become operative until January 1
13 of the year following the effective date of the ~~annual~~ Budget Bill
14 in which the Contractors' State License Board receives an
15 appropriation for sufficient resources to implement this act and
16 the Contractors' State License Board notifies the Secretary of State
17 ~~and Legislative Council~~ and the *Legislative Counsel* that there is
18 such an appropriation.