

AMENDED IN ASSEMBLY MARCH 25, 2010  
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**

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**Introduced by Senator Florez**

February 26, 2009

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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 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 *that may be* lawfully rendered only pursuant to a ~~specified~~ license, certificate, or registration *authorized by the Business and Professions Code* if the provisions ~~governing that license, certificate, or registration of that code~~ authorize a limited liability company to hold that license, certificate, or registration. The bill would authorize the ~~issuance of board, commencing no later than July 1, 2011, to issue~~ 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 *contractor's* license, that the applicant or licensee file or have on file a surety bond in the sum of ~~\$50,000~~ *\$100,000* for damages arising out of specified claims of employees. The bill would *also* 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~~ on which any member of the *licensee's* 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 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. The Legislature finds and declares all of the*  
2     *following:*

3     *(a) California contractors have been unable to avail themselves*  
4     *of the limited liability corporate status from the inception of the*  
5     *Beverly-Killea Limited Liability Company Act (Title 2.5*  
6     *(commencing with Section 17000) of the Corporations Code)*  
7     *enacted in 1994.*

8     *(b) Construction contractors doing business in California are*  
9     *unable to incorporate as a limited liability corporation, even*  
10    *though it is their principal corporate status in other states in which*  
11    *they are doing business.*

12    *(c) California is one of 29 states that require some form of*  
13    *contractor's license and is the only state that does not allow a*  
14    *license to be issued to a limited liability corporation.*

1 (d) Construction contractors have been allowed to be licensed  
2 as an “S” or “C” corporation for many years with well-established  
3 case law regarding the ability to pierce the corporate veil.

4 (e) An additional one-hundred-thousand-dollar (\$100,000) bond  
5 requirement for the benefit of paying wages and fringe benefits  
6 will ensure that workers are protected in the absence of case law  
7 dealing with limited liability corporations, specifically on the issue  
8 of piercing the corporate veil.

9 (f) The addition of a one-hundred-thousand-dollar (\$100,000)  
10 bond requirement is not found in other forms of doing business as  
11 a construction contractor licenseholder.

12 (g) The policy of ensuring that workers’ wages are protected  
13 in the event of bankruptcy or other business loss, while allowing  
14 contractors to be afforded the rights that are conferred upon an  
15 entity that chooses to conduct business as a limited liability  
16 licensed construction contractor, is beneficial for California and  
17 its economy.

18 **SECTION 1.**

19 **SEC. 2.** Section 7025 of the Business and Professions Code is  
20 amended to read:

21 7025. (a) “Members of the personnel of record” as used in this  
22 chapter means every person listed in the records of the registrar  
23 as then associated with a licensee.

24 (b) “Person” as used in this chapter includes an individual, a  
25 firm, copartnership, corporation, limited liability company,  
26 association or other organization, or any combination thereof.

27 (c) “Qualifying person,” “qualifying individual,” or “qualifier,”  
28 as used in this chapter, means a person who qualifies *for* a license  
29 pursuant to Section 7068.

30 ~~SEC. 2.~~

31 **SEC. 3.** Section 7028.5 of the Business and Professions Code  
32 is amended to read:

33 7028.5. It is unlawful for a person who is or has been a partner,  
34 officer, director, manager, responsible managing employee,  
35 responsible managing member, responsible managing manager,  
36 or responsible managing officer of, or an individual who is listed  
37 in the personnel of record of, a licensed copartnership, corporation,  
38 limited liability company, firm, association or other organization  
39 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.~~

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

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

15 ~~SEC. 4.~~

16 *SEC. 5.* Section 7065 of the Business and Professions Code is  
17 amended to read:

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

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

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

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

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

38 (1) An individual owner may qualify by examination for a  
39 contractor's license upon the appearance of the owner or a

1 qualifying individual appearing as a responsible managing  
2 employee on behalf of the owner.

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

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

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

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

25 ~~SEC. 5.~~

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

28 7065.1. Notwithstanding Section 7065, the registrar may waive  
29 the examination for a contractor's license under any of the  
30 following circumstances:

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

39 (b) The qualifying individual is an immediate member of the  
40 family of a licensee whose individual license was active and in

1 good standing for five of the seven years immediately preceding  
2 the application for licensure, and the qualifying individual is able  
3 to show all of the following:

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

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

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

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

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

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

24 ~~The~~

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

27 For purposes of this section, employees of a corporation or  
28 limited liability company shall include, but not be limited to, the  
29 officers of a corporation and the officers and managers of a limited  
30 liability company.

31 ~~SEC. 6.~~

32 *SEC. 7.* Section 7065.5 of the Business and Professions Code  
33 is amended to read:

34 7065.5. No license shall be issued to a minor, nor to any  
35 copartnership a partner of which is a minor, nor to any corporation  
36 any officer, director or responsible managing employee of which  
37 is a minor, nor to any limited liability company any officer,  
38 manager, or responsible managing employee of which is a minor,  
39 nor to any other kind of business organization in which a minor

1 holds a responsible official position, unless the minor shall first  
2 have had a guardian appointed by a court of competent jurisdiction.

3 ~~SEC. 7.~~

4 *SEC. 8.* Section 7068 of the Business and Professions Code is  
5 amended to read:

6 7068. (a) The board shall require an applicant to show the  
7 degree of knowledge and experience in the classification applied  
8 for, and the general knowledge of the building, safety, health, and  
9 lien laws of the state and of the administrative principles of the  
10 contracting business that the board deems necessary for the safety  
11 and protection of the public.

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

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

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

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

26 (4) If a limited liability company, it shall qualify by the  
27 appearance of a responsible managing officer, a responsible  
28 managing manager, responsible managing member, or a responsible  
29 managing employee who is qualified for the same license  
30 classification as the classification being applied for.

31 (c) A responsible managing employee for the purpose of this  
32 chapter shall mean an individual who is a bona fide employee of  
33 the applicant and is actively engaged in the classification of work  
34 for which that responsible managing employee is the qualifying  
35 person on behalf of the applicant.

36 (d) The board shall, in addition, require an applicant who  
37 qualifies by means of a responsible managing employee under  
38 either paragraph (1) or (2) of subdivision (b) to show his or her  
39 general knowledge of the building, safety, health, and lien laws of  
40 the state and of the administrative principles of the contracting

1 business as the board deems necessary for the safety and protection  
2 of the public.

3 (e) Except in accordance with Section 7068.1, no person  
4 qualifying on behalf of an individual or firm under paragraph (1),  
5 (2), (3), or (4) of subdivision (b) shall hold any other active  
6 contractor's license while acting in the capacity of a qualifying  
7 individual pursuant to this section.

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

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

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

20 ~~SEC. 8:~~

21 *SEC. 9.* Section 7068.1 of the Business and Professions Code  
22 is amended to read:

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

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

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

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

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

7 “Firm,” as used in this section, means a copartnership, a limited  
8 partnership, a corporation, a limited liability company, or any other  
9 combination or organization described in Section 7068.

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

12 The board shall require every applicant or licensee qualifying  
13 by the appearance of a qualifying individual to submit detailed  
14 information on the qualifying individual’s duties and  
15 responsibilities for supervision and control of the applicant’s  
16 construction operations.

17 ~~SEC. 9.~~

18 *SEC. 10.* Section 7068.2 of the Business and Professions Code  
19 is amended to read:

20 7068.2. If the responsible managing officer, responsible  
21 managing employee, responsible managing member, or responsible  
22 managing manager, disassociates from the licensed entity, the  
23 licensee, or the qualifier shall notify the registrar in writing, and  
24 the licensee shall replace the qualifier, within 90 days from the  
25 date of disassociation.

26 To replace a responsible managing officer, responsible managing  
27 employee, responsible managing member, or responsible managing  
28 manager, the licensee shall file an application as prescribed by the  
29 registrar, accompanied by the fee fixed by this chapter, designating  
30 an individual to qualify as required by this chapter.

31 Upon failure to replace the qualifier within 90 days of the  
32 disassociation the license shall be automatically suspended or the  
33 classification removed at the end of the 90 days.

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

1 Upon failure of the licensee or the qualifier to notify the registrar  
2 of the disassociation within 90 days from the date of disassociation,  
3 the license shall be automatically suspended or the classification  
4 removed and the qualifier removed from the license effective the  
5 date the written notification is received at the board's headquarters  
6 office.

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

10 Failure of the licensee or the qualifier to notify the registrar of  
11 the qualifier's disassociation within 90 days of the disassociation  
12 is grounds for disciplinary action.

13 ~~SEC. 10.~~

14 *SEC. 11.* Section 7069 of the Business and Professions Code  
15 is amended to read:

16 7069. (a) An applicant, and each officer, director, partner,  
17 manager, associate, and responsible managing employee thereof,  
18 shall not have committed acts or crimes that are grounds for denial  
19 of licensure under Section 480.

20 (b) As part of an application for a contractor's license, the board  
21 shall require an applicant to furnish a full set of fingerprints for  
22 purposes of conducting a criminal history record check. Fingerprints  
23 furnished pursuant to this subdivision shall be submitted in an  
24 electronic format if readily available. Requests for alternative  
25 methods of furnishing fingerprints are subject to the approval of  
26 the registrar. The board shall use the fingerprints furnished by  
27 an applicant to obtain criminal history information on the applicant  
28 from the Department of Justice and the United States Federal  
29 Bureau of Investigation, and the board may obtain any subsequent  
30 arrest information that is available.

31 ~~SEC. 11.~~

32 *SEC. 12.* Section 7071 of the Business and Professions Code  
33 is amended to read:

34 7071. No license shall be issued to a corporation, copartnership,  
35 limited liability company, or other combination or organization if  
36 a responsible officer or director of the corporation, or other  
37 combination or organization, or a partner of the copartnership, or  
38 a manager or officer of the limited liability company, or any  
39 member of an organization seeking licensure under this chapter

1 does not meet the qualifications required of an applicant other than  
2 those qualifications relating to knowledge and experience.

3 ~~SEC. 12.~~

4 *SEC. 13.* Section 7071.6.5 is added to the Business and  
5 Professions Code, to read:

6 7071.6.5. (a) The board shall require, as a condition precedent  
7 to the issuance, reissuance, reinstatement, reactivation, renewal,  
8 or continued valid use of a limited liability company license, that  
9 the applicant or licensee file or have on file a surety bond in the  
10 sum of ~~fifty thousand dollars (\$50,000)~~ *one hundred thousand*  
11 *dollars (\$100,000)*.

12 (b) The bond required by this section shall be executed by an  
13 admitted surety in favor of the State of California, in a form  
14 acceptable to the registrar and filed with the registrar, electronically  
15 or otherwise, by the applicant or licensee.

16 (c) The bond required by this section shall be for the benefit of  
17 any employee damaged by his or her employer's failure to pay  
18 wages, interest on wages, or fringe benefits *and is intended to*  
19 *serve as an additional safeguard for workers employed by or*  
20 *contracted to work for a limited liability company.*

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

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

29 ~~SEC. 13.~~

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

32 7071.7. (a) Except as provided in subdivision (b), the registrar  
33 shall accept a bond required by Section 7071.6, 7071.6.5, 7071.8,  
34 or 7071.9 as of the effective date shown on the bond, if the bond  
35 is received by the registrar within 90 days after that date, and shall  
36 reinstate the license to which the bond pertains, if otherwise  
37 eligible, retroactive to the effective date of the bond.

38 (b) Notwithstanding subdivision (a), the registrar shall accept  
39 a bond as of the effective date shown on the bond, even if the bond  
40 is not received by the registrar within 90 days after that date, upon

1 a showing by the licensee, on a form acceptable to the registrar,  
2 that the failure to have a bond on file was due to circumstances  
3 beyond the control of the licensee. The registrar shall reinstate the  
4 license to which the bond pertains, if otherwise eligible, retroactive  
5 to the effective date of the bond.

6 ~~SEC. 14.~~

7 *SEC. 15.* Section 7071.8 of the Business and Professions Code  
8 is amended to read:

9 7071.8. (a) This section applies to an application for a license,  
10 for renewal or restoration of a license, an application to change  
11 officers or members of a corporation or a limited liability company,  
12 or for continued valid use of a license which has been disciplined,  
13 whether or not the disciplinary action has been stayed, made by  
14 any of the following persons or firms:

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

21 (2) A person who was an officer, director, manager, partner, or  
22 member of the personnel of record of a licensee at any time during  
23 which cause for disciplinary action occurred resulting in suspension  
24 or revocation of the licensee's license and who had knowledge of  
25 or participated in the act or omission which was the cause for the  
26 disciplinary action.

27 (3) A partnership, corporation, limited liability company, firm,  
28 or association of which an existing or new officer, director,  
29 manager, partner, qualifying person, or member of the personnel  
30 of record has had a license suspended or revoked as a result of  
31 disciplinary action.

32 (4) A partnership, corporation, limited liability company, firm,  
33 or association of which a member of the personnel of record,  
34 including, but not limited to, an officer, director, manager, partner,  
35 or qualifying person was, likewise, a manager, officer, director,  
36 or partner of a licensee at any time during which cause for  
37 disciplinary action occurred resulting in suspension or revocation  
38 of the license, and who had knowledge of or participated in the  
39 act or omission which was the cause for the disciplinary action.

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

12 (c) The bond is in addition to, may not be combined with, and  
13 does not replace any other type of bond required by this chapter.  
14 The bond shall remain on file with the registrar for a period of at  
15 least two years and for any additional time that the registrar  
16 determines. The bond period shall run only while the license is  
17 current, active, and in good standing, and shall be extended until  
18 the license has been current, active, and in good standing for the  
19 required period. Each applicant or licensee shall be required to file  
20 only one disciplinary contractor's bond of the type described in  
21 this section for each application or license subject to this bond  
22 requirement.

23 ~~SEC. 15.~~

24 *SEC. 16.* Section 7071.9 of the Business and Professions Code  
25 is amended to read:

26 7071.9. (a) If the qualifying individual, as referred to in  
27 Sections 7068 and 7068.1, is neither the proprietor, a general  
28 partner, nor a joint licensee, he or she shall file or have on file a  
29 qualifying individual's bond as provided in Section 7071.10 in the  
30 sum of twelve thousand five hundred dollars (\$12,500). This bond  
31 is in addition to, and may not be combined with, any contractor's  
32 bond required by Sections 7071.5 to 7071.8, inclusive, and is  
33 required for the issuance, reinstatement, reactivation, or continued  
34 valid use of a license.

35 (b) Excluding the claims brought by the beneficiaries specified  
36 in paragraph (1) of subdivision (a) of Section 7071.10, the  
37 aggregate liability of a surety on claims brought against the bond  
38 required by this section shall not exceed the sum of seven thousand  
39 five hundred dollars (\$7,500). The bond proceeds in excess of  
40 seven thousand five hundred dollars (\$7,500) shall be reserved

1 exclusively for the claims of the beneficiaries specified in  
2 paragraph (1) of subdivision (a) of Section 7071.10. However,  
3 nothing in this section shall be construed to prevent any beneficiary  
4 specified in paragraph (1) of subdivision (a) of Section 7071.10  
5 from claiming or recovering the full measure of the bond required  
6 by this section. This bond is in addition to, and may not be  
7 combined with, any contractor's bond required by Sections 7071.5  
8 to 7071.8, inclusive, and is required for the issuance, reinstatement,  
9 reactivation, or continued valid use of a license.

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

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

20 ~~SEC. 16.~~

21 *SEC. 17.* Section 7071.11 of the Business and Professions Code  
22 is amended to read:

23 7071.11. (a) The aggregate liability of a surety on a claim for  
24 wages and fringe benefits brought against a bond required by this  
25 article, other than a bond required by Section 7071.8, shall not  
26 exceed the sum of four thousand dollars (\$4,000). If a bond  
27 required by this article is insufficient to pay all claims in full, the  
28 sum of the bond shall be distributed to all claimants in proportion  
29 to the amount of their respective claims.

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

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

37 (1) Within two years after the expiration of the license period  
38 during which the act or omission occurred. The provisions of this  
39 paragraph shall be applicable only if the license has not been  
40 inactivated, canceled, or revoked during the license period for

1 which the bond was posted and accepted by the registrar as  
2 specified under Section 7071.7.

3 (2) If the license has been inactivated, canceled, or revoked, an  
4 action shall be brought within two years of the date the license of  
5 the active licensee would have expired had the license not been  
6 inactivated, canceled, or revoked. For the provisions of this  
7 paragraph to be applicable, the act or omission for which the action  
8 is filed must have occurred prior to the date the license was  
9 inactivated, canceled, or revoked.

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

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

20 (e) Whenever the surety makes payment on a claim against a  
21 bond required by this article, whether or not payment is made  
22 through a court action or otherwise, the surety shall, within 30  
23 days of the payment, provide notice to the registrar. The notice  
24 required by this subdivision shall provide the following information  
25 by declaration on a form prescribed by the registrar:

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

27 (2) The surety bond number.

28 (3) The amount of payment.

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

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

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

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

36 (f) Prior to the settlement of a claim through a good faith  
37 payment by the surety, a licensee shall have not less than 15 days  
38 in which to provide a written protest. This protest shall instruct  
39 the surety not to make payment from the bond on the licensee's  
40 account upon the specific grounds that the claim is opposed by the

1 licensee, and provide the surety a specific and reasonable basis for  
2 the licensee's opposition to payment.

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

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

20 (g) During any period in which a surety remains unreimbursed  
21 for a loss or expense sustained on a bond issued pursuant to this  
22 article, the license for which the bond was issued, and any other  
23 license ~~in~~ on which any member of the licensee's personnel of  
24 record ~~of the licensee~~ has also been listed, may not be renewed,  
25 reissued, or reinstated while the licensee was subject to suspension  
26 or disciplinary action under this section.

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

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

35 ~~SEC. 17.~~

36 *SEC. 18.* Section 7071.17 of the Business and Professions Code  
37 is amended to read:

38 7071.17. (a) Notwithstanding any other provision of law, the  
39 board shall require, as a condition precedent to accepting an  
40 application for licensure, renewal, reinstatement, or to change

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

28 (b) Notwithstanding any other provision of law, all licensees  
29 shall notify the registrar in writing of any unsatisfied final judgment  
30 imposed on the licensee. If the licensee fails to notify the registrar  
31 in writing within 90 days, the license shall be automatically  
32 suspended on the date that the registrar is informed, or is made  
33 aware of the unsatisfied final judgment. The suspension shall not  
34 be removed until proof of satisfaction of the judgment, or in lieu  
35 thereof, a notarized copy of an accord is submitted to the registrar.  
36 If the licensee notifies the registrar in writing within 90 days of  
37 the imposition of any unsatisfied final judgment, the licensee shall,  
38 as a condition to the continual maintenance of the license, file or  
39 have on file with the board a bond sufficient to guarantee payment  
40 of an amount equal to all unsatisfied judgments applicable under

1 this section. The licensee has 90 days from date of notification by  
2 the board to file the bond or at the end of the 90 days the license  
3 shall be automatically suspended. In lieu of filing the bond required  
4 by this section, the licensee may provide the board with a notarized  
5 copy of any accord reached with any individual holding an  
6 unsatisfied final judgment.

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

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

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

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

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

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

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

36 (j) The qualifying person and any partner of the licensee or  
37 personnel of the licensee named as a judgment debtor in an  
38 unsatisfied final judgment shall be automatically prohibited from  
39 serving as an officer, director, associate, partner, owner, manager,  
40 qualifying individual, or other personnel of record of another

1 licensee. This prohibition shall cause the license of any other  
2 existing renewable licensed entity with any of the same personnel  
3 of record as the judgment debtor licensee to be suspended until  
4 the license of the judgment debtor is reinstated or until those same  
5 personnel of record disassociate themselves from the renewable  
6 licensed entity.

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

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

12 ~~SEC. 18.~~

13 *SEC. 19.* Section 7071.19 is added to the Business and  
14 Professions Code, to read:

15 7071.19. (a) As a condition of the issuance, reinstatement,  
16 reactivation, or continued valid use of a license under this chapter,  
17 in addition to any bond required under this article, a limited liability  
18 company shall, in accordance with the provisions of this section,  
19 maintain a policy or policies of insurance against liability imposed  
20 on or against it by law for damages arising out of claims based  
21 upon acts, errors, or omissions arising out of the contracting  
22 services it provides.

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

25 (1) For a limited liability company licensee with five or fewer  
26 persons listed on the members of the personnel of record, the  
27 aggregate limit shall not be less than one million dollars  
28 (\$1,000,000).

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

37 (c) The policy or policies required by this section may be issued  
38 on a claims-made or occurrence basis, and shall cover: (1) in the  
39 case of a claims-made policy, claims initially asserted in the  
40 designated period, and (2) in the case of an occurrence policy,

1 occurrences during the designated period. For purposes of this  
2 section, “designated period” means a policy year or any other  
3 period designated in the policy that is not greater than 12 months.  
4 Any policy or policies secured to satisfy the provisions of this  
5 section shall be written by an insurer or insurers duly licensed by  
6 this state, and may be in a form reasonably available in the  
7 commercial insurance market and may be subject to those terms,  
8 conditions, exclusions, and endorsements that are typically  
9 contained in those policies. A policy or policies of insurance  
10 maintained pursuant to this section may be subject to a deductible  
11 or self-insured retention.

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

25 (e) Upon the dissolution and winding up of the company, the  
26 company shall, with respect to any insurance policy or policies  
27 then maintained pursuant to this section, maintain or obtain an  
28 extended reporting period endorsement or equivalent provision in  
29 the maximum total aggregate limit of liability required to comply  
30 with this section for a minimum of three years if reasonably  
31 available from the insurer.

32 (f) Prior to the issuance, reinstatement, or reactivation of a  
33 limited liability company license as provided under this chapter,  
34 the applicant or licensee shall file, in the manner prescribed by the  
35 registrar, submit the information and documentation required by  
36 this section and requested by the registrar, demonstrating  
37 compliance with the financial security requirements specified by  
38 this section.

39 (g) For any insurance policy secured by a licensee in satisfaction  
40 of this section, a Certificate of Liability Insurance, signed by an

1 authorized agent or employee of the insurer, shall be submitted  
2 electronically or otherwise to the registrar. The insurer issuing the  
3 certificate shall report to the registrar the following information  
4 for any policy required under this section: name, license number,  
5 policy number, dates that coverage is scheduled to commence and  
6 lapse, the date and amount of any payment of claims, and  
7 cancellation date if applicable.

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

11 (1) The name of the insurer or insurers providing the liability  
12 policy or policies submitted by the licensee for the most recent  
13 designated period.

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

16 ~~SEC. 19.~~

17 *SEC. 20.* Section 7072.5 of the Business and Professions Code  
18 is amended to read:

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

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

34 ~~SEC. 20.~~

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

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

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

4 (1) To an individual upon application.  
5 (2) To a partnership upon application if there is no change in  
6 the partners or partnership structure.  
7 (3) To a corporation upon application if there is no change in  
8 the status of the corporation as registered with the Secretary of  
9 State.

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

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

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

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

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

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

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

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

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

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

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

16 ~~SEC. 21.~~

17 *SEC. 22.* Section 7076 of the Business and Professions Code  
18 is amended to read:

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

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

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

1 must be made in writing and received at the board's headquarters  
2 office within 90 days after the death. The remaining general partner  
3 or partners must apply for and obtain a new license to continue  
4 contracting after the continuance expires.

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

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

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

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

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

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

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

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

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

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

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

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

34 ~~SEC. 22.~~

35 *SEC. 23.* Section 7076.2 of the Business and Professions Code  
36 is amended to read:

37 7076.2. (a) Notwithstanding any other provision of law, the  
38 failure of a contractor licensed to do business as a corporation or  
39 limited liability company in this state to be registered and in good  
40 standing with the Secretary of State after notice from the registrar

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

10 (b) Where the license of a limited liability company is suspended  
11 pursuant to subdivision (a), each person within the company  
12 identified in Section 7028.5 shall be personally liable up to one  
13 million dollars (\$1,000,000) each for damages resulting to third  
14 parties in connection with the company's performance, during the  
15 period of suspension, of any act or contract where a license is  
16 required by this chapter. This personal liability shall not apply  
17 where there has been substantial compliance with the licensure  
18 requirements, as described in subdivision (e) of Section 7031.

19 ~~SEC. 23.~~

20 *SEC. 24.* Section 7085.6 of the Business and Professions Code  
21 is amended to read:

22 7085.6. (a) (1) The failure of a licensee to comply with an  
23 arbitration award rendered under this article shall result in the  
24 automatic suspension of a license by operation of law.

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

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

32 (4) Reinstatement may be made at any time following the  
33 suspension by complying with the arbitrator's award and the final  
34 order of the registrar. If no reinstatement of the license is made  
35 within 90 days of the date of the automatic suspension, the license  
36 and any other contractor's license issued to the licensee shall be  
37 automatically revoked by operation of law for a period to be  
38 determined by the registrar pursuant to Section 7102.

39 (5) The registrar may delay, for good cause, the revocation of  
40 a contractor's license for failure to comply with the arbitration

1 award. The delay in the revocation of the license shall not exceed  
2 one year. When seeking a delay of the revocation of his or her  
3 license, a licensee shall apply to the registrar in writing prior to  
4 the date of the revocation of the licensee's license by operation of  
5 law and state the reasons that establish good cause for the delay.  
6 The registrar's power to grant a delay of the revocation shall expire  
7 upon the effective date of the revocation of the licensee's license  
8 by operation of law.

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

19 ~~SEC. 24.~~

20 *SEC. 25.* Section 7090 of the Business and Professions Code  
21 is amended to read:

22 7090. The registrar may upon his or her own motion and shall  
23 upon the verified complaint in writing of any person, investigate  
24 the actions of any applicant, contractor, or home improvement  
25 salesperson within the state and may deny the licensure or the  
26 renewal of licensure of, or cite, temporarily suspend, or  
27 permanently revoke any license or registration if the applicant,  
28 licensee, or registrant, is guilty of or commits any one or more of  
29 the acts or omissions constituting causes for disciplinary action.

30 The registrar may proceed to take disciplinary action as in this  
31 article provided against an applicant or a person licensed or  
32 registered under the provisions of this chapter even though the  
33 grounds or cause for such disciplinary action arose upon projects  
34 or while the applicant, licensee, or registrant was acting in a  
35 capacity or under circumstances or facts which, under the  
36 provisions of Sections 7044, 7045, 7046, and 7048, would  
37 otherwise exempt the person or his or her operations from the  
38 provisions of this chapter.

39 Notwithstanding any provision of this chapter, if the registrar  
40 finds that any contractor licensed or registered under the provisions

1 of this chapter has willfully and deliberately violated any state or  
2 local law relating to the issuance of building permits, other than  
3 failure to obtain a county or city permit for repair, maintenance,  
4 and adjustment of equipment where such repair, maintenance, or  
5 adjustment is valued at less than five hundred dollars (\$500) for  
6 labor or materials, or where the repair of a part or component part  
7 of mechanical equipment consists of replacing such part or  
8 component part of mechanical equipment in need of repair with  
9 the identical part or component part, the registrar shall take  
10 disciplinary action against the contractor's license in accordance  
11 with this chapter.

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

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

20 ~~SEC. 25:~~

21 *SEC. 26.* Section 7090.1 of the Business and Professions Code  
22 is amended to read:

23 7090.1. (a) (1) Notwithstanding any other provisions of law,  
24 the failure to pay a civil penalty, or to comply with an order of  
25 correction or an order to pay a specified sum to an injured party  
26 in lieu of correction once the order has become final, shall result  
27 in the automatic suspension of a license by operation of law 30  
28 days after noncompliance with the terms of the order.

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

32 (3) The licensee may contest the determination of  
33 noncompliance within 15 days after service of the notice, by written  
34 notice to the registrar. Upon receipt of the written notice, the  
35 registrar may reconsider the determination and after reconsideration  
36 may affirm or set aside the suspension.

37 (4) Reinstatement may be made at any time following the  
38 suspension by complying with the final order of the citation. If no  
39 reinstatement of the license is made within 90 days of the date of  
40 the automatic suspension, the cited license and any other

1 contractor's license issued to the licensee shall be automatically  
2 revoked by operation of law for a period to be determined by the  
3 registrar pursuant to Section 7102.

4 (5) The registrar may delay, for good cause, the revocation of  
5 a contractor's license for failure to comply with the final order of  
6 the citation. The delay in the revocation of the license shall not  
7 exceed one year. When seeking a delay of the revocation of his or  
8 her license, a licensee shall apply to the registrar in writing prior  
9 to the date of the revocation of the licensee's license by operation  
10 of law and state the reasons that establish good cause for the delay.  
11 The registrar's power to grant a delay of the revocation shall expire  
12 upon the effective date of the revocation of the licensee's license  
13 by operation of law.

14 (b) The cited licensee shall also be automatically prohibited  
15 from serving as an officer, director, associate, partner, manager,  
16 or qualifying individual of another licensee, for the period  
17 determined by the registrar, and the employment, election, or  
18 association of that person by a licensee shall constitute grounds  
19 for disciplinary action. A qualifier disassociated pursuant to this  
20 section shall be replaced within 90 days of the date of  
21 disassociation. Upon failure to replace the qualifier within 90 days  
22 of the prohibition, the license of the other licensee shall be  
23 automatically suspended or the qualifier's classification removed  
24 at the end of the 90 days.

25 ~~SEC. 26.~~

26 *SEC. 27.* Section 7096 of the Business and Professions Code  
27 is amended to read:

28 7096. For the purposes of this chapter, the term "licensee" shall  
29 include an individual, copartnership, corporation, limited liability  
30 company, joint venture, or any combination or organization  
31 licensed under this chapter, and shall also include any named  
32 responsible managing officer, responsible managing manager,  
33 responsible managing member, or personnel of that licentiate  
34 whose appearance has qualified the licentiate under the provisions  
35 of Section 7068.

36 ~~SEC. 27.~~

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

39 7121. A person who has been denied a license for a reason  
40 other than failure to document sufficient satisfactory experience

1 for a supplemental classification for an existing license, or who  
2 has had his or her license revoked, or whose license is under  
3 suspension, or who has failed to renew his or her license while it  
4 was under suspension, or who has been a partner, officer, director,  
5 manager, or associate of any partnership, corporation, limited  
6 liability company, firm, or association whose application for a  
7 license has been denied for a reason other than failure to document  
8 sufficient satisfactory experience for a supplemental classification  
9 for an existing license, or whose license has been revoked, or  
10 whose license is under suspension, or who has failed to renew a  
11 license while it was under suspension, and while acting as a partner,  
12 officer, director, manager, or associate had knowledge of or  
13 participated in any of the prohibited acts for which the license was  
14 denied, suspended, or revoked, shall be prohibited from serving  
15 as an officer, director, associate, partner, manager, qualifying  
16 individual, or member of the personnel of record of a licensee, and  
17 the employment, election, or association of this type of person by  
18 a licensee in any capacity other than as a nonsupervising bona fide  
19 employee shall constitute grounds for disciplinary action.

20 ~~SEC. 28:~~

21 *SEC. 29.* Section 7121.1 of the Business and Professions Code  
22 is amended to read:

23 7121.1. Notwithstanding any other provision of this chapter,  
24 the disassociation of a partner, officer, director, manager, or  
25 associate from the license of a partnership, corporation, limited  
26 liability company, firm, or association whose license has been  
27 cited pursuant to Section 7099 shall not relieve the partner, officer,  
28 director, manager, or associate from responsibility for complying  
29 with the citation if he or she had knowledge of, or participated in,  
30 any of the prohibited acts for which the citation was issued. Section  
31 7121 shall apply to a partner, officer, director, manager, or  
32 associate of a licensee that fails to comply with a citation after it  
33 is final.

34 ~~SEC. 29:~~

35 *SEC. 30.* Section 7121.5 of the Business and Professions Code  
36 is amended to read:

37 7121.5. A person who was the qualifying individual on a  
38 revoked license, or of a license under suspension, or of a license  
39 that was not renewed while it was under suspension, shall be  
40 prohibited from serving as an officer, director, associate, partner,

1 manager, or qualifying individual of a licensee, whether or not the  
2 individual had knowledge of or participated in the prohibited acts  
3 or omissions for which the license was revoked, or suspended, and  
4 the employment, election, or association of that person by a  
5 licensee shall constitute grounds for disciplinary action.

6 ~~SEC. 30.~~

7 *SEC. 31.* Section 7121.6 of the Business and Professions Code  
8 is amended to read:

9 7121.6. (a) An individual who meets all of the following  
10 criteria shall not perform any act regulated under this chapter for  
11 or on behalf of a licensee, other than as a bona fide nonsupervising  
12 employee:

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

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

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

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

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

24 (2) The individual served in the capacity of the qualifying  
25 individual during the commission or omission of any of the acts  
26 that resulted in the revocation of the license, whether or not he or  
27 she had knowledge of or participated in those acts.

28 (3) The individual is not eligible for reinstatement for licensure  
29 under Section 7102.

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

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

1 ~~SEC. 31.~~

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

4 7122. The performance by an individual, partnership,  
5 corporation, limited liability company, firm, or association of an  
6 act or omission constituting a cause for disciplinary action, likewise  
7 constitutes a cause for disciplinary action against a licensee other  
8 than the individual qualifying on behalf of the individual or entity,  
9 if the licensee was a partner, officer, director, manager, or associate  
10 of that individual, partnership, corporation, limited liability  
11 company, firm, or association at the time the act or omission  
12 occurred, and had knowledge of or participated in the prohibited  
13 act or omission.

14 ~~SEC. 32.~~

15 *SEC. 33.* Section 7122.1 of the Business and Professions Code  
16 is amended to read:

17 7122.1. Notwithstanding Section 7068.2 or any other provision  
18 of this chapter, the disassociation of a qualifying individual from  
19 a license after the act or omission has occurred that resulted in a  
20 citation pursuant to Section 7099 shall not relieve the qualifying  
21 individual from responsibility for complying with the citation.  
22 Section 7122.5 shall apply to a qualifying individual of a licensee  
23 that fails to comply with a citation after it is final.

24 ~~SEC. 33.~~

25 *SEC. 34.* Section 7122.2 of the Business and Professions Code  
26 is amended to read:

27 7122.2. (a) Notwithstanding Section 7068.2 or any other  
28 provisions of this chapter, the disassociation of a qualifying  
29 individual from a license that has been referred to arbitration  
30 pursuant to Section 7085 shall not relieve the qualifying individual  
31 from the responsibility of complying with an arbitration award  
32 rendered as a result of acts or omissions committed while acting  
33 as the qualifying individual for the license as provided under  
34 Sections 7068 and 7068.1.

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

38 ~~SEC. 34.~~

39 *SEC. 35.* Section 7122.5 of the Business and Professions Code  
40 is amended to read:

1 7122.5. The performance by an individual, partnership,  
2 corporation, limited liability company, firm, or association of an  
3 act or omission constituting a cause for disciplinary action, likewise  
4 constitutes a cause for disciplinary action against a licensee who  
5 at the time that the act or omission occurred was the qualifying  
6 individual of that individual, partnership, corporation, limited  
7 liability company, firm, or association, whether or not he or she  
8 had knowledge of or participated in the prohibited act or omission.

9 ~~SEC. 35.~~

10 *SEC. 36.* Section 7137 of the Business and Professions Code  
11 is amended to read:

12 7137. The board shall set fees by regulation. These fees shall  
13 not exceed the following schedule:

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

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

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

21 The application fee to replace a responsible managing officer,  
22 responsible managing manager, responsible managing member,  
23 or responsible managing employee pursuant to Section 7068.2  
24 shall not be more than seventy-five dollars (\$75).

25 (b) The fee for rescheduling an examination for an applicant  
26 who has applied for an original license, additional classification,  
27 a change of responsible managing officer, responsible managing  
28 manager, responsible managing member, or responsible managing  
29 employee, or for an asbestos certification or hazardous substance  
30 removal certification, shall not be more than sixty dollars (\$60).

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

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

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

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

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

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

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

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

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

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

16 ~~SEC. 36.~~

17 *SEC. 37.* Section 7138 of the Business and Professions Code  
18 is amended to read:

19 7138. Notwithstanding any other provision of law, a fee paid  
20 in connection with a service or application covered by Section  
21 7137 shall accrue to the Contractors' License Fund as an earned  
22 fee and shall not be refunded.

23 ~~SEC. 37.~~

24 *SEC. 38.* Section 7152 of the Business and Professions Code  
25 is amended to read:

26 7152. (a) "Home improvement salesperson" is a person  
27 employed by a home improvement contractor licensed under this  
28 chapter to solicit, sell, negotiate, or execute contracts for home  
29 improvements, for the sale, installation or furnishing of home  
30 improvement goods or services, or of swimming pools, spas, or  
31 hot tubs.

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

34 (1) An officer of record of a corporation licensed pursuant to  
35 this chapter, or a manager of record of a limited liability company  
36 licensed pursuant to this chapter.

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

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

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

6 (5) A person who contacts the prospective buyer for the  
7 exclusive purpose of scheduling appointments for a registered  
8 home improvement salesperson.

9 (6) A bona fide service repairperson who is in the employ of a  
10 licensed contractor and whose repair or service call is limited to  
11 the service, repair, or emergency repair initially requested by the  
12 buyer of the service.

13 (c) The exemption to registration provided under paragraphs  
14 (1), (2), and (3) of subdivision (b) shall apply only to those  
15 individuals who, at the time of the sales transaction, are listed as  
16 personnel of record for the licensee responsible for soliciting,  
17 negotiating, or contracting for a service or improvement that is  
18 subject to regulation under this article.

19 ~~SEC. 38. Section 7159 of the Business and Professions Code~~  
20 ~~is amended to read:~~

21 ~~7159. (a) (1) This section identifies the projects for which a~~  
22 ~~home improvement contract is required, outlines the contract~~  
23 ~~requirements, and lists the items that shall be included in the~~  
24 ~~contract, or may be provided as an attachment.~~

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

28 ~~(3) This section does not apply to the sale, installation, and~~  
29 ~~servicing of a fire alarm sold in conjunction with an alarm system,~~  
30 ~~as defined in subdivision (n) of Section 7590.1, if all costs~~  
31 ~~attributable to making the fire alarm system operable, including~~  
32 ~~sale and installation costs, do not exceed five hundred dollars~~  
33 ~~(\$500), and the licensee complies with the requirements set forth~~  
34 ~~in Section 7159.9.~~

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

37 ~~(5) Failure by the licensee, his or her agent or salesperson, or~~  
38 ~~by a person subject to be licensed under this chapter, to provide~~  
39 ~~the specified information, notices, and disclosures in the contract,~~

1 or to otherwise fail to comply with any provision of this section,  
2 is cause for discipline.

3 (b) For purposes of this section, “home improvement contract”  
4 means an agreement, whether oral or written, or contained in one  
5 or more documents, between a contractor and an owner or between  
6 a contractor and a tenant, regardless of the number of residence  
7 or dwelling units contained in the building in which the tenant  
8 resides, if the work is to be performed in, to, or upon the residence  
9 or dwelling unit of the tenant, for the performance of a home  
10 improvement, as defined in Section 7151, and includes all labor,  
11 services, and materials to be furnished and performed thereunder,  
12 if the aggregate contract price specified in one or more  
13 improvement contracts, including all labor, services, and materials  
14 to be furnished by the contractor, exceeds five hundred dollars  
15 (\$500). “Home improvement contract” also means an agreement,  
16 whether oral or written, or contained in one or more documents,  
17 between a salesperson, whether or not he or she is a home  
18 improvement salesperson, and an owner or a tenant, regardless of  
19 the number of residence or dwelling units contained in the building  
20 in which the tenant resides, which provides for the sale, installation,  
21 or furnishing of home improvement goods or services.

22 (e) In addition to the specific requirements listed under this  
23 section, every home improvement contract and any person subject  
24 to licensure under this chapter or his or her agent or salesperson  
25 shall comply with all of the following:

26 (1) The writing shall be legible.

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

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

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

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

1 ~~(ii) The name and address of the contractor to which the~~  
2 ~~applicable “Notice of Cancellation” is to be mailed, immediately~~  
3 ~~preceded by a statement advising the buyer that the “Notice of~~  
4 ~~Cancellation” may be sent to the contractor at the address noted~~  
5 ~~on the contract.~~

6 ~~(4) A statement that, upon satisfactory payment being made for~~  
7 ~~any portion of the work performed, the contractor, prior to any~~  
8 ~~further payment being made, shall furnish to the person contracting~~  
9 ~~for the home improvement or swimming pool work a full and~~  
10 ~~unconditional release from any claim or mechanic’s lien pursuant~~  
11 ~~to Section 3114 of the Civil Code for that portion of the work for~~  
12 ~~which payment has been made.~~

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

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

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

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

27 ~~(d) A home improvement contract and any changes to the~~  
28 ~~contract shall be in writing and signed by the parties to the contract~~  
29 ~~prior to the commencement of work covered by the contract or an~~  
30 ~~applicable change order and, except as provided in paragraph (8)~~  
31 ~~of subdivision (a) of Section 7159.5, shall include or comply with~~  
32 ~~all of the following:~~

33 ~~(1) The name, business address, and license number of the~~  
34 ~~contractor.~~

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

37 ~~(3) The following heading on the contract form that identifies~~  
38 ~~the type of contract in at least 10-point boldface type: “Home~~  
39 ~~Improvement.”~~

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

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

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

10 ~~(7) The heading: “Description of the Project and Description~~  
11 ~~of the Significant Materials to be Used and Equipment to be~~  
12 ~~Installed,” followed by a description of the project and a description~~  
13 ~~of the significant materials to be used and equipment to be installed.~~  
14 ~~For swimming pools, the project description required under this~~  
15 ~~paragraph also shall include a plan and scale drawing showing the~~  
16 ~~shape, size, dimensions, and the construction and equipment~~  
17 ~~specifications.~~

18 ~~(8) If a downpayment will be charged, the details of the~~  
19 ~~downpayment shall be expressed in substantially the following~~  
20 ~~form, and shall include the text of the notice as specified in~~  
21 ~~subparagraph (C):~~

22 ~~(A) The heading: “Downpayment.”~~

23 ~~(B) A space where the actual downpayment appears.~~

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

28 ~~(9) If payments, other than the downpayment, are to be made~~  
29 ~~before the project is completed, the details of these payments,~~  
30 ~~known as progress payments, shall be expressed in substantially~~  
31 ~~the following form, and shall include the text of the statement as~~  
32 ~~specified in subparagraph (C):~~

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

35 ~~(B) Each progress payment shall be stated in dollars and cents~~  
36 ~~and specifically reference the amount of work or services to be~~  
37 ~~performed and materials and equipment to be supplied.~~

38 ~~(C) The section of the contract reserved for the progress~~  
39 ~~payments shall include the following statement in at least 12-point~~  
40 ~~boldface type:~~

1     ~~“The schedule of progress payments must specifically describe~~  
 2 ~~each phase of work, including the type and amount of work or~~  
 3 ~~services scheduled to be supplied in each phase, along with the~~  
 4 ~~amount of each proposed progress payment. IT IS AGAINST THE~~  
 5 ~~LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR~~  
 6 ~~WORK NOT YET COMPLETED, OR FOR MATERIALS NOT~~  
 7 ~~YET DELIVERED. HOWEVER, A CONTRACTOR MAY~~  
 8 ~~REQUIRE A DOWNPAYMENT.”~~

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

11     ~~(A) A statement that describes what constitutes substantial~~  
 12 ~~commencement of work under the contract.~~

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

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

15     ~~(11) The estimated completion date of the work shall be~~  
 16 ~~referenced in the contract in substantially the following form:~~

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

18     ~~(B) The approximate date of completion.~~

19     ~~(12) If applicable, the heading: “List of Documents to be~~  
 20 ~~Incorporated into the Contract,” followed by the list of documents~~  
 21 ~~incorporated into the contract.~~

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

24     ~~“Extra Work and Change Orders become part of the contract~~  
 25 ~~once the order is prepared in writing and signed by the parties prior~~  
 26 ~~to the commencement of work covered by the new change order.~~  
 27 ~~The order must describe the scope of the extra work or change,~~  
 28 ~~the cost to be added or subtracted from the contract, and the effect~~  
 29 ~~the order will have on the schedule of progress payments.”~~

30     ~~(e) Except as provided in paragraph (8) of subdivision (a) of~~  
 31 ~~Section 7159.5, all of the following notices shall be provided to~~  
 32 ~~the owner as part of the contract form as specified or, if otherwise~~  
 33 ~~authorized under this subdivision, may be provided as an~~  
 34 ~~attachment to the contract:~~

35     ~~(1) A notice concerning commercial general liability insurance.~~  
 36 ~~This notice may be provided as an attachment to the contract if~~  
 37 ~~the contract includes the following statement: “A notice concerning~~  
 38 ~~commercial general liability insurance is attached to this contract.”~~  
 39 ~~The notice shall include the heading “Commercial General Liability~~

1 Insurance (CGL),” followed by whichever of the following  
2 statements is both relevant and correct:

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

5 (B) “(The name on the license or ‘This contractor’) carries  
6 commercial general liability insurance written by (the insurance  
7 company). You may call (the insurance company) at \_\_\_\_\_  
8 to check the contractor’s insurance coverage.”

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

11 (D) “(The name on the license or ‘This contractor’ is a limited  
12 liability company that carries liability insurance or maintains other  
13 security as required by law. You may call (the insurance company  
14 or trust company or bank) at \_\_\_\_\_ to check on the contractor’s  
15 insurance coverage or security.”

16 (2) A notice concerning workers’ compensation insurance. This  
17 notice may be provided as an attachment to the contract if the  
18 contract includes the statement: “A notice concerning workers’  
19 compensation insurance is attached to this contract.” The notice  
20 shall include the heading “Workers’ Compensation Insurance”  
21 followed by whichever of the following statements is correct:

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

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

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

29 (A) A statement that the buyer may not require a contractor to  
30 perform extra or change-order work without providing written  
31 authorization prior to the commencement of work covered by the  
32 new change order.

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

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

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

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

1 ~~(C) A statement informing the buyer that the contractor's failure~~  
2 ~~to comply with the requirements of this paragraph does not~~  
3 ~~preclude the recovery of compensation for work performed based~~  
4 ~~upon legal or equitable remedies designed to prevent unjust~~  
5 ~~enrichment.~~

6 ~~(4) A notice with the heading "Mechanics' Lien Warning"~~  
7 ~~written as follows:~~

8 ~~"MECHANICS' LIEN WARNING:~~

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

13 ~~Even if you pay your contractor in full, unpaid subcontractors,~~  
14 ~~suppliers, and laborers who helped to improve your property may~~  
15 ~~record mechanics' liens and sue you in court to foreclose the lien.~~  
16 ~~If a court finds the lien is valid, you could be forced to pay twice~~  
17 ~~or have a court officer sell your home to pay the lien. Liens can~~  
18 ~~also affect your credit.~~

19 ~~To preserve their right to record a lien, each subcontractor and~~  
20 ~~material supplier must provide you with a document called a~~  
21 ~~'20-day Preliminary Notice.' This notice is not a lien. The purpose~~  
22 ~~of the notice is to let you know that the person who sends you the~~  
23 ~~notice has the right to record a lien on your property if he or she~~  
24 ~~is not paid.~~

25 ~~BE CAREFUL. The Preliminary Notice can be sent up to 20~~  
26 ~~days after the subcontractor starts work or the supplier provides~~  
27 ~~material. This can be a big problem if you pay your contractor~~  
28 ~~before you have received the Preliminary Notices.~~

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

32 ~~PROTECT YOURSELF FROM LIENS. You can protect~~  
33 ~~yourself from liens by getting a list from your contractor of all the~~  
34 ~~subcontractors and material suppliers that work on your project.~~  
35 ~~Find out from your contractor when these subcontractors started~~  
36 ~~work and when these suppliers delivered goods or materials. Then~~  
37 ~~wait 20 days, paying attention to the Preliminary Notices you~~  
38 ~~receive.~~

39 ~~PAY WITH JOINT CHECKS. One way to protect yourself is~~  
40 ~~to pay with a joint check. When your contractor tells you it is time~~

1 to pay for the work of a subcontractor or supplier who has provided  
2 you with a Preliminary Notice, write a joint check payable to both  
3 the contractor and the subcontractor or material supplier.

4 For other ways to prevent liens, visit CSLB’s Internet Web site  
5 at [www.eslb.ca.gov](http://www.eslb.ca.gov) or call CSLB at 800-321-CSLB (2752).

6 ~~REMEMBER, IF YOU DO NOTHING, YOU RISK HAVING~~  
7 ~~A LIEN PLACED ON YOUR HOME.~~ This can mean that you  
8 may have to pay twice, or face the forced sale of your home to pay  
9 what you owe.”

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

12 ~~“Information about the Contractors’ State License Board (CSLB):~~  
13 ~~CSLB is the state consumer protection agency that licenses and~~  
14 ~~regulates construction contractors:~~

15 ~~Contact CSLB for information about the licensed contractor you~~  
16 ~~are considering, including information about disclosable~~  
17 ~~complaints, disciplinary actions, and civil judgments that are~~  
18 ~~reported to CSLB.~~

19 ~~Use only licensed contractors. If you file a complaint against a~~  
20 ~~licensed contractor within the legal deadline (usually four years),~~  
21 ~~CSLB has authority to investigate the complaint. If you use an~~  
22 ~~unlicensed contractor, CSLB may not be able to help you resolve~~  
23 ~~your complaint. Your only remedy may be in civil court, and you~~  
24 ~~may be liable for damages arising out of any injuries to the~~  
25 ~~unlicensed contractor or the unlicensed contractor’s employees.~~

26 ~~For more information:~~

27 ~~Visit CSLB’s Internet Web site at [www.eslb.ca.gov](http://www.eslb.ca.gov)~~

28 ~~Call CSLB at 800-321-CSLB (2752)~~

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

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

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

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

36 (iii) ~~Subject to licensure under the Alarm Company Act (Chapter~~  
37 ~~11.6 (commencing with Section 7590)), provided the alarm~~  
38 ~~company licensee complies with Sections 1689.5, 1689.6, and~~  
39 ~~1689.7 of the Civil Code, as applicable.~~

40 (B) ~~“Three-Day Right to Cancel~~

1 You, the buyer, have the right to cancel this contract within three  
2 business days. You may cancel by e-mailing, mailing, faxing, or  
3 delivering a written notice to the contractor at the contractor's  
4 place of business by midnight of the third business day after you  
5 received a signed and dated copy of the contract that includes this  
6 notice. Include your name, your address, and the date you received  
7 the signed copy of the contract and this notice.

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

22 (C) The "Three-Day Right to Cancel" notice required by this  
23 paragraph shall comply with all of the following:

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

1 detachable, and which shall contain the following statement written  
2 in the same language, e.g., Spanish, as used in the contract:

3  
4 “Notice of Cancellation”

5 /enter date of transaction/  
6 \_\_\_\_\_  
7 \_\_\_\_\_

8 (Date)

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

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

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

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

28  
29 To cancel this transaction, mail or deliver a signed and dated copy of this  
30 cancellation notice, or any other written notice, or send a telegram

31 to \_\_\_\_\_,

32 \_\_\_\_\_ /name of seller/

33 at \_\_\_\_\_

34 \_\_\_\_\_ /address of seller’s place of business/

35 not later than midnight of \_\_\_\_\_.

36 \_\_\_\_\_ (Date)

37 I hereby cancel this transaction. \_\_\_\_\_

38 \_\_\_\_\_ (Date)

39 \_\_\_\_\_  
40 \_\_\_\_\_ (Buyer’s signature)

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

~~“Seven-Day Right to Cancel~~

~~You, the buyer, have the right to cancel this contract within seven business days. You may cancel by e-mailing, mailing, faxing, or delivering a written notice to the contractor at the contractor’s place of business by midnight of the seventh business day after you received a signed and dated copy of the contract that includes this notice. Include your name, your address, and the date you received the signed copy of the contract and this notice.~~

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

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

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

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

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

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

1 ~~(v) The notice may be attached to the contract if the contract~~  
 2 ~~includes, in at least 12-point boldface type, a checkbox with the~~  
 3 ~~following statement: “The law requires that the contractor give~~  
 4 ~~you a notice explaining your right to cancel. Initial the checkbox~~  
 5 ~~if the contractor has given you a ‘Notice of the Seven-Day Right~~  
 6 ~~to Cancel.’”~~

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

12  
 13 ~~“Notice of Cancellation”——~~

14 ~~/enter date of transaction/~~

15 \_\_\_\_\_  
 16 \_\_\_\_\_  
 17 (Date)

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

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

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

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

37  
 38 ~~To cancel this transaction, mail or deliver a signed and dated copy of this~~  
 39 ~~cancellation notice, or any other written notice, or send a telegram~~

40 ~~to \_\_\_\_\_,~~

1 \_\_\_\_\_/name of seller/  
 2 at \_\_\_\_\_  
 3 \_\_\_\_\_/address of seller's place of business/  
 4 not later than midnight of \_\_\_\_\_.  
 5 \_\_\_\_\_(Date)  
 6 ~~I hereby cancel this transaction.~~ \_\_\_\_\_  
 7 \_\_\_\_\_(Date)  
 8 \_\_\_\_\_  
 9 \_\_\_\_\_(Buyer's signature)

10  
 11 *SEC. 39. Section 7159 of the Business and Professions Code*  
 12 *is amended to read:*

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

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

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

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

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

34 (b) For purposes of this section, "home improvement contract"  
 35 means an agreement, whether oral or written, or contained in one  
 36 or more documents, between a contractor and an owner or between  
 37 a contractor and a tenant, regardless of the number of residence  
 38 or dwelling units contained in the building in which the tenant  
 39 resides, if the work is to be performed in, to, or upon the residence  
 40 or dwelling unit of the tenant, for the performance of a home

1 improvement, as defined in Section 7151, and includes all labor,  
2 services, and materials to be furnished and performed thereunder,  
3 if the aggregate contract price specified in one or more  
4 improvement contracts, including all labor, services, and materials  
5 to be furnished by the contractor, exceeds five hundred dollars  
6 (\$500). “Home improvement contract” also means an agreement,  
7 whether oral or written, or contained in one or more documents,  
8 between a salesperson, whether or not he or she is a home  
9 improvement salesperson, and an owner or a tenant, regardless of  
10 the number of residence or dwelling units contained in the building  
11 in which the tenant resides, which provides for the sale, installation,  
12 or furnishing of home improvement goods or services.

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

17 (1) The writing shall be legible.

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

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

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

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

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

36 (4) The contract shall include a statement that, upon satisfactory  
37 payment being made for any portion of the work performed, the  
38 contractor, prior to any further payment being made, shall furnish  
39 to the person contracting for the home improvement or swimming  
40 pool work a full and unconditional release from any potential lien

1 claimant claim or mechanic's lien authorized pursuant to Section  
2 3110 of the Civil Code for that portion of the work for which  
3 payment has been made.

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

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

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

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

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

24 (1) The name, business address, and license number of the  
25 contractor.

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

28 (3) The following heading on the contract form that identifies  
29 the type of contract in at least 10-point boldface type: "Home  
30 Improvement."

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

35 (5) The heading: "Contract Price," followed by the amount of  
36 the contract in dollars and cents.

37 (6) If a finance charge will be charged, the heading: "Finance  
38 Charge," followed by the amount in dollars and cents. The finance  
39 charge is to be set out separately from the contract amount.

1 (7) The heading: “Description of the Project and Description  
2 of the Significant Materials to be Used and Equipment to be  
3 Installed,” followed by a description of the project and a description  
4 of the significant materials to be used and equipment to be installed.  
5 For swimming pools, the project description required under this  
6 paragraph also shall include a plan and scale drawing showing the  
7 shape, size, dimensions, and the construction and equipment  
8 specifications.

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

13 (A) The heading: “Downpayment.”

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

15 (C) The following statement in at least 12-point boldface type:

16

17 “THE DOWNPAYMENT MAY NOT EXCEED \$1,000 OR 10  
18 PERCENT OF THE CONTRACT PRICE, WHICHEVER IS  
19 LESS.”

20

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

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

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

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

34

35 “The schedule of progress payments must specifically describe  
36 each phase of work, including the type and amount of work or  
37 services scheduled to be supplied in each phase, along with the  
38 amount of each proposed progress payment. IT IS AGAINST THE  
39 LAW FOR A CONTRACTOR TO COLLECT PAYMENT FOR  
40 WORK NOT YET COMPLETED, OR FOR MATERIALS NOT

1 YET DELIVERED. HOWEVER, A CONTRACTOR MAY  
2 REQUIRE A DOWNPAYMENT.”

3  
4 (10) The contract shall address the commencement of work to  
5 be performed in substantially the following form:

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

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

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

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

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

13 (B) The approximate date of completion.

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

17 (13) The heading: “~~Note about~~ *About* Extra Work and Change  
18 Orders,” followed by the following statement:

19  
20 “Extra Work and Change Orders become part of the contract  
21 once the order is prepared in writing and signed by the parties prior  
22 to the commencement of work covered by the new change order.  
23 The order must describe the scope of the extra work or change,  
24 the cost to be added or subtracted from the contract, and the effect  
25 the order will have on the schedule of progress payments.”

26  
27 (e) Except as provided in paragraph (8) of subdivision (a) of  
28 Section 7159.5, all of the following notices shall be provided to  
29 the owner as part of the contract form as specified or, if otherwise  
30 authorized under this subdivision, may be provided as an  
31 attachment to the contract:

32 (1) A notice concerning commercial general liability insurance.  
33 This notice may be provided as an attachment to the contract if  
34 the contract includes the following statement: “A notice concerning  
35 commercial general liability insurance is attached to this contract.”  
36 The notice shall include the heading “Commercial General Liability  
37 Insurance (CGL),” followed by whichever of the following  
38 statements is both relevant and correct:

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

1 (B) “(The name on the license or ‘This contractor’) carries  
2 commercial general liability insurance written by (the insurance  
3 company). You may call (the insurance company) at \_\_\_\_\_  
4 to check the contractor’s insurance coverage.”

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

7 (D) “*(The name on the license or ‘This contractor’) is a limited*  
8 *liability company that carries liability insurance or maintains*  
9 *other security as required by law. You may call (the insurance*  
10 *company or trust company or bank) at \_\_\_\_\_ to check on the*  
11 *contractor’s insurance coverage or security.*”

12 (2) A notice concerning workers’ compensation insurance. This  
13 notice may be provided as an attachment to the contract if the  
14 contract includes the statement: “A notice concerning workers’  
15 compensation insurance is attached to this contract.” The notice  
16 shall include the heading “Workers’ Compensation Insurance”  
17 followed by whichever of the following statements is correct:

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

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

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

25 (A) A statement that the buyer may not require a contractor to  
26 perform extra or change-order work without providing written  
27 authorization prior to the commencement of work covered by the  
28 new change order.

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

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

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

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

37 (C) A statement informing the buyer that the contractor’s failure  
38 to comply with the requirements of this paragraph does not  
39 preclude the recovery of compensation for work performed based

1 upon legal or equitable remedies designed to prevent unjust  
2 enrichment.

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

5  
6 “MECHANICS’ LIEN WARNING:

7  
8 Anyone who helps improve your property, but who is not paid,  
9 may record what is called a mechanics’ lien on your property. A  
10 mechanics’ lien is a claim, like a mortgage or home equity loan,  
11 made against your property and recorded with the county recorder.

12 Even if you pay your contractor in full, unpaid subcontractors,  
13 suppliers, and laborers who helped to improve your property may  
14 record mechanics’ liens and sue you in court to foreclose the lien.  
15 If a court finds the lien is valid, you could be forced to pay twice  
16 or have a court officer sell your home to pay the lien. Liens can  
17 also affect your credit.

18 To preserve their right to record a lien, each subcontractor and  
19 material supplier must provide you with a document called a  
20 ‘20-day Preliminary Notice.’ This notice is not a lien. The purpose  
21 of the notice is to let you know that the person who sends you the  
22 notice has the right to record a lien on your property if he or she  
23 is not paid.

24 BE CAREFUL. The Preliminary Notice can be sent up to 20  
25 days after the subcontractor starts work or the supplier provides  
26 material. This can be a big problem if you pay your contractor  
27 before you have received the Preliminary Notices.

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

31 PROTECT YOURSELF FROM LIENS. You can protect  
32 yourself from liens by getting a list from your contractor of all the  
33 subcontractors and material suppliers that work on your project.  
34 Find out from your contractor when these subcontractors started  
35 work and when these suppliers delivered goods or materials. Then  
36 wait 20 days, paying attention to the Preliminary Notices you  
37 receive.

38 PAY WITH JOINT CHECKS. One way to protect yourself is  
39 to pay with a joint check. When your contractor tells you it is time  
40 to pay for the work of a subcontractor or supplier who has provided

1 you with a Preliminary Notice, write a joint check payable to both  
2 the contractor and the subcontractor or material supplier.

3 For other ways to prevent liens, visit CSLB’s Internet Web site  
4 at [www.cslb.ca.gov](http://www.cslb.ca.gov) or call CSLB at 800-321-CSLB (2752).

5 REMEMBER, IF YOU DO NOTHING, YOU RISK HAVING  
6 A LIEN PLACED ON YOUR HOME. This can mean that you  
7 may have to pay twice, or face the forced sale of your home to pay  
8 what you owe.”

9

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

12

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

16 Contact CSLB for information about the licensed contractor you  
17 are considering, including information about disclosable  
18 complaints, disciplinary actions, and civil judgments that are  
19 reported to CSLB.

20 Use only licensed contractors. If you file a complaint against a  
21 licensed contractor within the legal deadline (usually four years),  
22 CSLB has authority to investigate the complaint. If you use an  
23 unlicensed contractor, CSLB may not be able to help you resolve  
24 your complaint. Your only remedy may be in civil court, and you  
25 may be liable for damages arising out of any injuries to the  
26 unlicensed contractor or the unlicensed contractor’s employees.

27 For more information:

28 Visit CSLB’s Internet Web site at [www.cslb.ca.gov](http://www.cslb.ca.gov)

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

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

31

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

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

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

38 (iii) Subject to licensure under the Alarm Company Act (Chapter  
39 11.6 (commencing with Section 7590)), provided the alarm

1 company licensee complies with Sections 1689.5, 1689.6, and  
2 1689.7 of the Civil Code, as applicable.

3  
4 (B) “Three-Day Right to Cancel

5 You, the buyer, have the right to cancel this contract within three  
6 business days. You may cancel by e-mailing, mailing, faxing, or  
7 delivering a written notice to the contractor at the contractor’s  
8 place of business by midnight of the third business day after you  
9 received a signed and dated copy of the contract that includes this  
10 notice. Include your name, your address, and the date you received  
11 the signed copy of the contract and this notice.

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

26  
27 (C) The “Three-Day Right to Cancel” notice required by this  
28 paragraph shall comply with all of the following:

- 29 (i) The text of the notice is at least 12-point boldface type.  
30 (ii) The notice is in immediate proximity to a space reserved  
31 for the owner’s signature.  
32 (iii) The owner acknowledges receipt of the notice by signing  
33 and dating the notice form in the signature space.  
34 (iv) The notice is written in the same language, e.g., Spanish,  
35 as that principally used in any oral sales presentation.  
36 (v) The notice may be attached to the contract if the contract  
37 includes, in at least 12-point boldface type, a checkbox with the  
38 following statement: “The law requires that the contractor give  
39 you a notice explaining your right to cancel. Initial the checkbox

1 if the contractor has given you a ‘Notice of the Three-Day Right  
2 to Cancel.’ ”

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

8  
9 “Notice of Cancellation”  
10 /enter date of transaction/  
11 \_\_\_\_\_  
12 (Date)

13  
14  
15 “You may cancel this transaction, without any penalty or  
16 obligation, within three business days from the above date.

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

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

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

34  
35  
36 To cancel this transaction, mail or deliver a signed and dated copy of this  
37 cancellation notice, or any other written notice, or send a telegram  
38 to \_\_\_\_\_,  
39 /name of seller/  
40 at \_\_\_\_\_



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

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

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

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

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

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

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

21  
22 “Notice of Cancellation”

23 /enter date of transaction/  
24 \_\_\_\_\_

25 (Date)  
26  
27

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

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

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

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

8  
 9

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

18 I hereby cancel this transaction. \_\_\_\_\_  
 19 (Date)  
 20 \_\_\_\_\_  
 21 (Buyer’s signature)

22

23 ~~SEC. 39.~~

24 *SEC. 40.* Section 7159.10 of the Business and Professions Code  
 25 is amended to read:

26 7159.10. (a) (1) “Service and repair contract” means an  
 27 agreement between a contractor or salesperson for a contractor,  
 28 whether a general contractor or a specialty contractor, who is  
 29 licensed or subject to be licensed pursuant to this chapter with  
 30 regard to the transaction, and a homeowner or a tenant, for the  
 31 performance of a home improvement as defined in Section 7151,  
 32 that conforms to the following requirements:

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

35 (B) The prospective buyer initiated contact with the contractor  
 36 to request the work.

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

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

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

8 (b) For any contract written pursuant to subdivision (a) or  
9 otherwise presented to the buyer as a service and repair contract,  
10 unless all of the conforming requirements for service and repair  
11 contracts specified in subdivision (a) are met, the contract  
12 requirements for home improvements set forth in subdivisions (c),  
13 (d), and (e) of Section 7159 shall be applicable, including any  
14 rights to rescind the contract as set forth in Section 1689.6 or  
15 1689.7 of the Civil Code, regardless of the aggregate contract  
16 price.

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

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

22 (1) The contract, any changes to the contract, and any  
23 attachments shall be in writing and signed or acknowledged by  
24 the parties as set forth in this section, and shall be written in the  
25 same language (for example Spanish) as principally used in the  
26 oral sales presentation.

27 (2) The writing shall be legible.

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

32 (4) Before any work is started, the contractor shall give the  
33 buyer a copy of the contract signed and dated by the buyer and by  
34 the contractor or the contractor’s representative.

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

37 (6) The date the contract was signed.

38 (7) A notice concerning commercial general liability insurance.  
39 This notice may be provided as an attachment to the contract if  
40 the contract includes the statement, “A notice concerning

1 commercial general liability insurance is attached to this contract.”  
2 The notice shall include the heading “Commercial General Liability  
3 Insurance (CGL)” followed by whichever of the following  
4 statements is both relevant and correct:

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

7 (B) “(The name on the license or ‘This contractor’) carries  
8 commercial general liability insurance written by (the insurance  
9 company). You may call the (insurance company) at \_\_\_\_ to check  
10 the contractor’s insurance coverage.”

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

13 (D) “(The name on the license or ‘This contractor’) is a limited  
14 liability company that carries liability insurance or maintains other  
15 security as required by law. You may call (the insurance company  
16 or trust company or bank) at \_\_\_\_ to check on the contractor’s  
17 insurance coverage or security.”

18 (8) A notice concerning workers’ compensation insurance. This  
19 notice may be provided as an attachment to the contract if the  
20 contract includes the statement “A notice concerning workers’  
21 compensation insurance is attached to this contract.” The notice  
22 shall include the heading “Workers’ Compensation Insurance”  
23 followed by whichever of the following statements is both relevant  
24 and correct:

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

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

30 (e) Every service and repair contract described in subdivision  
31 (a) shall provide the following information, notices, and disclosures  
32 in the contract:

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

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

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

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

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

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

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

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

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

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

20 (7) Where the contract is estimated by a time and materials  
21 formula, the heading “Estimated Contract Price” followed by the  
22 estimated contract amount in dollars and cents. The contract must  
23 disclose the set rate and the estimated cost of materials. The  
24 contract must also disclose how time will be computed, for  
25 example, in increments of quarter hours, half hours, or hours, and  
26 the statement: “The actual contract amount of a time and materials  
27 contract may not exceed the estimated contract amount without  
28 written authorization from the buyer.”

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

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

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

39 (11) If a service charge is charged, the heading “Amount of  
40 Service Charge” followed by the service charge, and the statement

1 “You may be charged only one service charge, including any trip  
2 charge or inspection fee.”

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

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

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

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

12 2. The contractor starts work.

13 (B) However, even if the work has begun you, the buyer, may  
14 still cancel the contract for any of the reasons specified in items 1  
15 through 4 of this paragraph. If any of these reasons occur, you may  
16 cancel the contract within three business days of signing the  
17 contract for normal service and repairs, or within seven business  
18 days of signing a contract to repair or correct conditions resulting  
19 from any sudden or catastrophic event for which a state of  
20 emergency has been declared by the President of the United States  
21 or the Governor, or for which a local emergency has been declared  
22 by the executive officer or governing body of any city, county, or  
23 city and county:

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

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

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

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

33 (C) If any of these reasons for canceling occurred, you may  
34 cancel the contract as specified under paragraph (B) above by  
35 e-mailing, mailing, faxing, or delivering a written notice to the  
36 contractor at the contractor’s place of business within three  
37 business days or, if applicable, seven business days of the date you  
38 received a signed and dated copy of this contract. Include your  
39 name, your address, and the date you received a signed copy of  
40 the contract and this notice.

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

15 (B) This paragraph does not apply to home improvement  
16 contracts entered into by a person who holds an alarm company  
17 operator’s license issued pursuant to Chapter 11.6 (commencing  
18 with Section 7590), provided the person complies with Sections  
19 1689.5, 1689.6, and 1689.7 of the Civil Code, as applicable.

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

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

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

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

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

37 ~~SEC. 40.~~

38 *SEC. 41.* Section 17002 of the Corporations Code is amended  
39 to read:

1 17002. (a) Subject to any limitations contained in the articles  
2 of organization and to compliance with any other applicable laws,  
3 a limited liability company may engage in any lawful business  
4 activity, whether or not for profit, except the banking business,  
5 the business of issuing policies of insurance and assuming  
6 insurance risks, or the trust company business.

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

20 (c) Notwithstanding Section 17375, a limited liability company  
21 may render services that may be lawfully rendered only pursuant  
22 to a license, certificate, or registration authorized by the Business  
23 and Professions Code if the applicable provisions of the Business  
24 and Professions Code authorize a limited liability company to hold  
25 that license, certificate, or registration.

26 ~~SEC. 41.~~

27 ~~SEC. 42.~~ No reimbursement is required by this act pursuant to  
28 Section 6 of Article XIII B of the California Constitution because  
29 the only costs that may be incurred by a local agency or school  
30 district will be incurred because this act creates a new crime or  
31 infraction, eliminates a crime or infraction, or changes the penalty  
32 for a crime or infraction, within the meaning of Section 17556 of  
33 the Government Code, or changes the definition of a crime within  
34 the meaning of Section 6 of Article XIII B of the California  
35 Constitution.

36 ~~SEC. 42.~~ ~~This act shall not become operative until January 1~~  
37 ~~of the year following the effective date of the Budget Bill in which~~  
38 ~~the Contractors' State License Board receives an appropriation for~~  
39 ~~sufficient resources to implement this act and the Contractors'~~

1 ~~State License Board notifies the Secretary of State and the~~  
2 ~~Legislative Counsel that there is such an appropriation.~~  
3 *SEC. 43. The Contractors' State License Board shall begin*  
4 *issuing licenses to limited liability companies, pursuant to Section*  
5 *7065 of the Business and Professions Code, as amended by this*  
6 *act, no later than July 1, 2011.*

O