

AMENDED IN SENATE JUNE 22, 2006

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2914**

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**Introduced by Assembly Member Leno**

February 24, 2006

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An act to amend ~~Section 16101~~ *Sections 16101 and 16956* of the Corporations Code, and to ~~repeat~~ *amend* Section 5 of Chapter 504 of the Statutes of 1998, relating to limited liability partnerships.

LEGISLATIVE COUNSEL'S DIGEST

AB 2914, as amended, Leno. Limited liability partnerships: architecture.

Existing law, the Uniform Partnership Act of 1994, authorizes the formation of foreign limited liability partnerships and registered limited liability partnerships to engage in the practice of architecture. *This provision is repealed as of January 1, 2007. Existing law requires that every registered limited liability partnership and foreign limited liability partnership provide specified security for claims arising out of the practice of architecture. Under existing law, the total aggregate limit of liability under the policy or policies of insurance or the maximum amount of security for those partnerships providing architectural services with fewer than 5 licensed persons may not be less than \$500,000.*

This bill would ~~delete that date, thereby extending these provisions indefinitely~~ *extend the repeal date to January 1, 2012. This bill would provide that, on and after January 1, 2008, the total aggregate limit of liability under the policy or policies of insurance or the maximum amount of security for those partnerships providing architectural*

services with fewer than 10 licensed persons may not be less than \$1,000,000.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

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

1 SECTION 1. Section 16101 of the Corporations Code is  
 2 amended to read:  
 3 16101. As used in this chapter, the following terms and  
 4 phrases have the following meanings:  
 5 (1) "Business" includes every trade, occupation, and  
 6 profession.  
 7 (2) "Debtor in bankruptcy" means a person who is the subject  
 8 of either of the following:  
 9 (A) An order for relief under Title 11 of the United States  
 10 Code or a comparable order under a successor statute of general  
 11 application.  
 12 (B) A comparable order under federal, state, or foreign law  
 13 governing insolvency.  
 14 (3) "Distribution" means a transfer of money or other property  
 15 from a partnership to a partner in the partner's capacity as a  
 16 partner or to the partner's transferee.  
 17 (4) "Electronic transmission by the partnership" means a  
 18 communication (a) delivered by (1) facsimile telecommunication  
 19 or electronic mail when directed to the facsimile number or  
 20 electronic mail address, respectively, for that recipient on record  
 21 with the partnership, (2) posting on an electronic message board  
 22 or network that the partnership has designated for those  
 23 communications, together with a separate notice to the recipient  
 24 of the posting, which transmission shall be validly delivered  
 25 upon the later of the posting or delivery of the separate notice  
 26 thereof, or (3) other means of electronic communication, (b) to a  
 27 recipient who has provided an unrevoked consent to the use of  
 28 those means of transmission, and (c) that creates a record that is  
 29 capable of retention, retrieval, and review, and that may  
 30 thereafter be rendered into clearly legible tangible form.  
 31 However, an electronic transmission by a partnership to an  
 32 individual partner is not authorized unless, in addition to  
 33 satisfying the requirements of this section, the transmission

1 satisfies the requirements applicable to consumer consent to  
2 electronic records as set forth in the Electronic Signatures in  
3 Global and National Commerce Act (15 U.S.C. Sec. 7001(c)(1)).

4 (5) “Electronic transmission to the partnership” means a  
5 communication (a) delivered by (1) facsimile telecommunication  
6 or electronic mail when directed to the facsimile number or  
7 electronic mail address, respectively, which the partnership has  
8 provided from time to time to partners for sending  
9 communications to the partnership, (2) posting on an electronic  
10 message board or network that the partnership has designated for  
11 those communications, and which transmission shall be validly  
12 delivered upon the posting, or (3) other means of electronic  
13 communication, (b) as to which the partnership has placed in  
14 effect reasonable measures to verify that the sender is the partner  
15 (in person or by proxy) purporting to send the transmission, and  
16 (c) that creates a record that is capable of retention, retrieval, and  
17 review, and that may thereafter be rendered into clearly legible  
18 tangible form.

19 (6) (A) “Foreign limited liability partnership” means a  
20 partnership, other than a limited partnership, formed pursuant to  
21 an agreement governed by the laws of another jurisdiction and  
22 denominated or registered as a limited liability partnership or  
23 registered limited liability partnership under the laws of that  
24 jurisdiction (i) in which each partner is a licensed person or a  
25 person licensed or authorized to provide professional limited  
26 liability partnership services in a jurisdiction or jurisdictions  
27 other than this state, (ii) which is licensed under the laws of the  
28 state to engage in the practice of architecture, the practice of  
29 public accountancy, or the practice of law, or (iii) which (I) is  
30 related to a registered limited liability partnership that practices  
31 public accountancy or, to the extent permitted by the State Bar,  
32 practices law or is related to a foreign limited liability partnership  
33 and (II) provides services related or complementary to the  
34 professional limited liability partnership services provided by, or  
35 provides services or facilities to, that registered limited liability  
36 partnership or foreign limited liability partnership.

37 (B) For the purposes of clause (iii) of subparagraph (A), a  
38 partnership is related to a registered limited liability partnership  
39 or foreign limited liability partnership if (i) at least a majority of  
40 the partners in one partnership are also partners in the other

1 partnership, or (ii) at least a majority in interest in each  
2 partnership hold interests in or are members of another person,  
3 except an individual, and each partnership renders services  
4 pursuant to an agreement with that other person, or (iii) one  
5 partnership, directly or indirectly through one or more  
6 intermediaries, controls, is controlled by, or is under common  
7 control with, the other partnership.

8 (7) “Licensed person” means any person who is duly licensed,  
9 authorized, or registered under the provisions of the Business and  
10 Professions Code to provide professional limited liability  
11 partnership services or who is lawfully able to render  
12 professional limited liability partnership services in this state.

13 (8) (A) “Registered limited liability partnership” means a  
14 partnership, other than a limited partnership, formed pursuant to  
15 an agreement governed by Article 10 (commencing with Section  
16 16951), that is registered under Section 16953 and (i) each of the  
17 partners of which is a licensed person or a person licensed or  
18 authorized to provide professional limited liability partnership  
19 services in a jurisdiction or jurisdictions other than this state, (ii)  
20 is licensed under the laws of the state to engage in the practice of  
21 architecture, practice of public accountancy, or the practice of  
22 law, or (iii)(I) is related to a registered limited liability  
23 partnership that practices public accountancy or, to the extent  
24 permitted by the State Bar, practices law or is related to a foreign  
25 limited liability partnership and (II) provides services related or  
26 complementary to the professional limited liability partnership  
27 services provided by, or provides services or facilities to, that  
28 registered limited liability partnership or foreign limited liability  
29 partnership.

30 (B) For the purposes of clause (iii) of subparagraph (A), a  
31 partnership is related to a registered limited liability partnership  
32 or foreign limited liability partnership if (i) at least a majority of  
33 the partners in one partnership are also partners in the other  
34 partnership, or (ii) at least a majority in interest in each  
35 partnership hold interests in or are members of another person,  
36 other than an individual, and each partnership renders services  
37 pursuant to an agreement with that other person, or (iii) one  
38 partnership, directly or indirectly through one or more  
39 intermediaries, controls, is controlled by, or is under common  
40 control with, the other partnership.

1 (9) “Partnership” means an association of two or more persons  
2 to carry on as coowners a business for profit formed under  
3 Section 16202, predecessor law, or comparable law of another  
4 jurisdiction, and includes, for all purposes of the laws of this  
5 state, a registered limited liability partnership, and excludes any  
6 partnership formed under Chapter 2 (commencing with Section  
7 15501) or Chapter 3 (commencing with Section 15611).

8 (10) “Partnership agreement” means the agreement, whether  
9 written, oral, or implied, among the partners concerning the  
10 partnership, including amendments to the partnership agreement.

11 (11) “Partnership at will” means a partnership in which the  
12 partners have not agreed to remain partners until the expiration of  
13 a definite term or the completion of a particular undertaking.

14 (12) “Partnership interest” or “partner’s interest in the  
15 partnership” means all of a partner’s interests in the partnership,  
16 including the partner’s transferable interest and all management  
17 and other rights.

18 (13) “Person” means an individual, corporation, business trust,  
19 estate, trust, partnership, limited partnership, limited liability  
20 partnership, limited liability company, association, joint venture,  
21 government, governmental subdivision, agency, or  
22 instrumentality, or any other legal or commercial entity.

23 (14) “Professional limited liability partnership services” means  
24 the practice of architecture, the practice of public accountancy, or  
25 the practice of law.

26 (15) “Property” means all property, real, personal, or mixed,  
27 tangible or intangible, or any interest therein.

28 (16) “State” means a state of the United States, the District of  
29 Columbia, the Commonwealth of Puerto Rico, or any territory or  
30 insular possession subject to the jurisdiction of the United States.

31 (17) “Statement” means a statement of partnership authority  
32 under Section 16303, a statement of denial under Section 16304,  
33 a statement of dissociation under Section 16704, a statement of  
34 dissolution under Section 16805, a statement of conversion or a  
35 certificate of conversion under Section 16906, a statement of  
36 merger under Section 16915, or an amendment or cancellation of  
37 any of the foregoing.

38 (18) “Transfer” includes an assignment, conveyance, lease,  
39 mortgage, deed, and encumbrance.

1 (19) *The inclusion of the practice of architecture as a*  
2 *professional limited liability partnership service permitted by this*  
3 *section shall extend only until January 1, 2012.*

4 ~~SEC. 2. Section 5 of Chapter 504 of the Statutes of 1998, as~~  
5 ~~amended by Section 2 of Chapter 595 of the Statutes of 2001, is~~  
6 ~~repealed.~~

7 *SEC. 2. Section 16956 of the Corporations Code is amended*  
8 *to read:*

9 16956. (a) At the time of registration pursuant to Section  
10 16953, in the case of a registered limited liability partnership,  
11 and Section 16959, in the case of a foreign limited liability  
12 partnership, and at all times during which those partnerships shall  
13 transact intrastate business, every registered limited liability  
14 partnership and foreign limited liability partnership, as the case  
15 may be, shall be required to provide security for claims against it  
16 as follows:

17 (1) For claims based upon acts, errors, or omissions arising out  
18 of the practice of public accountancy, a registered limited  
19 liability partnership or foreign limited liability partnership  
20 providing accountancy services shall comply with one, or  
21 pursuant to subdivision (b) some combination, of the following:

22 (A) Maintaining a policy or policies of insurance against  
23 liability imposed on or against it by law for damages arising out  
24 of claims in an amount for each claim of at least one hundred  
25 thousand dollars (\$100,000) multiplied by the number of licensed  
26 persons rendering professional services on behalf of the  
27 partnership; however, the total aggregate limit of liability under  
28 the policy or policies of insurance for partnerships with fewer  
29 than five licensed persons shall not be less than five hundred  
30 thousand dollars (\$500,000), and for all other partnerships is not  
31 required to exceed five million dollars (\$5,000,000) in any one  
32 designated period, less amounts paid in defending, settling, or  
33 discharging claims as set forth in this subparagraph. The policy  
34 or policies may be issued on a claims-made or occurrence basis,  
35 and shall cover: (i) in the case of a claims-made policy, claims  
36 initially asserted in the designated period, and (ii) in the case of  
37 an occurrence policy, occurrences during the designated period.  
38 For purposes of this subparagraph, “designated period” means a  
39 policy year or any other period designated in the policy that is  
40 not greater than 12 months. The impairment or exhaustion of the

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

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

19 (B) Maintaining in trust or bank escrow, cash, bank  
20 certificates of deposit, United States Treasury obligations, bank  
21 letters of credit, or bonds of insurance or surety companies as  
22 security for payment of liabilities imposed by law for damages  
23 arising out of all claims in an amount of at least one hundred  
24 thousand dollars (\$100,000) multiplied by the number of licensed  
25 persons rendering professional services on behalf of the  
26 partnership; however, the maximum amount of security for  
27 partnerships with fewer than five licensed persons shall not be  
28 less than five hundred thousand dollars (\$500,000), and for all  
29 other partnerships is not required to exceed five million dollars  
30 (\$5,000,000). The partnership remains in compliance with this  
31 section during a calendar year notwithstanding amounts paid  
32 during that calendar year from the accounts, funds, Treasury  
33 obligations, letters of credit, or bonds in defending, settling, or  
34 discharging claims of the type described in this paragraph,  
35 provided that the amount of those accounts, funds, Treasury  
36 obligations, letters of credit, or bonds was at least the amount  
37 specified in the preceding sentence as of the first business day of  
38 that calendar year. Notwithstanding the pendency of other claims  
39 against the partnership, a registered limited liability partnership  
40 or foreign limited liability partnership shall be deemed to be in

1 compliance with this subparagraph as to a claim if within 30 days  
2 after the time that a claim is initially asserted through service of a  
3 summons, complaint, or comparable pleading in a judicial or  
4 administrative proceeding, the partnership has provided the  
5 required amount of security by designating and segregating funds  
6 in compliance with the requirements of this subparagraph.

7 (C) Unless the partnership has satisfied subparagraph (D),  
8 each partner of a registered limited liability partnership or foreign  
9 limited liability partnership providing accountancy services, by  
10 virtue of that person's status as a partner, thereby automatically  
11 guarantees payment of the difference between the maximum  
12 amount of security required for the partnership by this paragraph  
13 and the security otherwise provided in accordance with  
14 subparagraphs (A) and (B), provided that the aggregate amount  
15 paid by all partners under these guarantees shall not exceed the  
16 difference. Neither withdrawal by a partner nor the dissolution  
17 and winding up of the partnership shall affect the rights or  
18 obligations of a partner arising prior to withdrawal or dissolution  
19 and winding up, and the guarantee provided for in this  
20 subparagraph shall apply only to conduct that occurred prior to  
21 the withdrawal or dissolution and winding up. Nothing contained  
22 in this subparagraph shall affect or impair the rights or  
23 obligations of the partners among themselves, or the partnership,  
24 including, but not limited to, rights of contribution, subrogation,  
25 or indemnification.

26 (D) Confirming, pursuant to the procedure in subdivision (c),  
27 that, as of the most recently completed fiscal year of the  
28 partnership, it had a net worth equal to or exceeding ten million  
29 dollars (\$10,000,000).

30 (2) For claims based upon acts, errors, or omissions arising out  
31 of the practice of law, a registered limited liability partnership or  
32 foreign limited liability partnership providing legal services shall  
33 comply with one, or pursuant to subdivision (b) some  
34 combination, of the following:

35 (A) Each registered limited liability partnership or foreign  
36 limited liability partnership providing legal services shall  
37 maintain a policy or policies of insurance against liability  
38 imposed on or against it by law for damages arising out of claims  
39 in an amount for each claim of at least one hundred thousand  
40 dollars (\$100,000) multiplied by the number of licensed persons

1 rendering professional services on behalf of the partnership;  
2 however, the total aggregate limit of liability under the policy or  
3 policies of insurance for partnerships with fewer than five  
4 licensed persons shall not be less than five hundred thousand  
5 dollars (\$500,000), and for all other partnerships is not required  
6 to exceed seven million five hundred thousand dollars  
7 (\$7,500,000) in any one designated period, less amounts paid in  
8 defending, settling, or discharging claims as set forth in this  
9 subparagraph. The policy or policies may be issued on a  
10 claims-made or occurrence basis, and shall cover (i) in the case  
11 of a claims-made policy, claims initially asserted in the  
12 designated period, and (ii) in the case of an occurrence policy,  
13 occurrences during the designated period. For purposes of this  
14 subparagraph, “designated period” means a policy year or any  
15 other period designated in the policy that is not greater than 12  
16 months. The impairment or exhaustion of the aggregate limit of  
17 liability by amounts paid under the policy in connection with the  
18 settlement, discharge, or defense of claims applicable to a  
19 designated period shall not require the partnership to acquire  
20 additional insurance coverage for that designated period. The  
21 policy or policies of insurance may be in a form reasonably  
22 available in the commercial insurance market and may be subject  
23 to those terms, conditions, exclusions, and endorsements that are  
24 typically contained in those policies. A policy or policies of  
25 insurance maintained pursuant to this subparagraph may be  
26 subject to a deductible or self-insured retention.

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

34 (B) Each registered limited liability partnership or foreign  
35 limited liability partnership providing legal services shall  
36 maintain in trust or bank escrow, cash, bank certificates of  
37 deposit, United States Treasury obligations, bank letters of credit,  
38 or bonds of insurance or surety companies as security for  
39 payment of liabilities imposed by law for damages arising out of  
40 all claims in an amount of at least one hundred thousand dollars

1 (\$100,000) multiplied by the number of licensed persons  
2 rendering professional services on behalf of the partnership;  
3 however, the maximum amount of security for partnerships with  
4 fewer than five licensed persons shall not be less than five  
5 hundred thousand dollars (\$500,000), and for all other  
6 partnerships is not required to exceed seven million five hundred  
7 thousand dollars (\$7,500,000). The partnership remains in  
8 compliance with this section during a calendar year  
9 notwithstanding amounts paid during that calendar year from the  
10 accounts, funds, Treasury obligations, letters of credit, or bonds  
11 in defending, settling, or discharging claims of the type described  
12 in this paragraph, provided that the amount of those accounts,  
13 funds, Treasury obligations, letters of credit, or bonds was at  
14 least the amount specified in the preceding sentence as of the first  
15 business day of that calendar year. Notwithstanding the pendency  
16 of other claims against the partnership, a registered limited  
17 liability partnership or foreign limited liability partnership shall  
18 be deemed to be in compliance with this subparagraph as to a  
19 claim if within 30 days after the time that a claim is initially  
20 asserted through service of a summons, complaint, or comparable  
21 pleading in a judicial or administrative proceeding, the  
22 partnership has provided the required amount of security by  
23 designating and segregating funds in compliance with the  
24 requirement of this subparagraph.

25 (C) Unless the partnership has satisfied the requirements of  
26 subparagraph (D), each partner of a registered limited liability  
27 partnership or foreign limited liability partnership providing legal  
28 services, by virtue of that person's status as a partner, thereby  
29 automatically guarantees payment of the difference between the  
30 maximum amount of security required for the partnership by this  
31 paragraph and the security otherwise provided in accordance  
32 with the provisions of subparagraphs (A) and (B), provided that  
33 the aggregate amount paid by all partners under these guarantees  
34 shall not exceed the difference. Neither withdrawal by a partner  
35 nor the dissolution and winding up of the partnership shall affect  
36 the rights or obligations of a partner arising prior to withdrawal  
37 or dissolution and winding up, and the guarantee provided for in  
38 this subparagraph shall apply only to conduct that occurred prior  
39 to the withdrawal or dissolution and winding up. Nothing  
40 contained in this subparagraph shall affect or impair the rights or

1 obligations of the partners among themselves, or the partnership,  
2 including, but not limited to, rights of contribution, subrogation,  
3 or indemnification.

4 (D) Confirming, pursuant to the procedure in subdivision (c),  
5 that, as of the most recently completed fiscal year of the  
6 partnership, it had a net worth equal to or exceeding fifteen  
7 million dollars (\$15,000,000).

8 (3) For claims based upon acts, errors, or omissions arising out  
9 of the practice of architecture, a registered limited liability  
10 partnership or foreign limited liability partnership providing  
11 architectural services shall comply with one, or pursuant to  
12 subdivision (b) some combination, of the following:

13 (A) Maintaining a policy or policies of insurance against  
14 liability imposed on or against it by law for damages arising out  
15 of claims in an amount for each claim of at least one hundred  
16 thousand dollars (\$100,000) multiplied by the number of licensed  
17 persons rendering professional services on behalf of the  
18 partnership; however, the total aggregate limit of liability under  
19 the policy or policies of insurance for partnerships with fewer  
20 persons shall not be less than five hundred thousand dollars  
21 (\$500,000), and for all other partnerships is not required to  
22 exceed five million dollars (\$5,000,000) in any one designated  
23 period, less amounts paid in defending, settling, or discharging  
24 claims as set forth in this subparagraph. *On and after January 1,*  
25 *2008, the total aggregate limit of liability under the policy or*  
26 *policies of insurance for partnerships with fewer persons shall*  
27 *not be less than one million dollars (\$1,000,000). The policy or*  
28 *policies may be issued on a claims-made or occurrence basis, and*  
29 *shall cover: (i) in the case of a claims-made policy, claims*  
30 *initially asserted in the designated period, and (ii) in the case of*  
31 *an occurrence policy, occurrences during the designated period.*  
32 For purposes of this subparagraph, “designated period” means a  
33 policy year or any other period designated in the policy that is  
34 not greater than 12 months. The impairment or exhaustion of the  
35 aggregate limit of liability by amounts paid under the policy in  
36 connection with the settlement, discharge, or defense of claims  
37 applicable to a designated period shall not require the partnership  
38 to acquire additional insurance coverage for that designated  
39 period. The policy or policies of insurance may be in a form  
40 reasonably available in the commercial insurance market and

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

6 Upon the dissolution and winding up of the partnership, the  
7 partnership shall, with respect to any insurance policy or policies  
8 then maintained pursuant to this subparagraph, maintain or obtain  
9 an extended reporting period endorsement or equivalent  
10 provision in the maximum total aggregate limit of liability  
11 required to comply with this subparagraph for a minimum of  
12 three years if reasonably available from the insurer.

13 (B) Maintaining in trust or bank escrow, cash, bank  
14 certificates of deposit, United States Treasury obligations, bank  
15 letters of credit, or bonds of insurance or surety companies as  
16 security for payment of liabilities imposed by law for damages  
17 arising out of all claims in an amount of at least one hundred  
18 thousand dollars (\$100,000) multiplied by the number of licensed  
19 persons rendering professional services on behalf of the  
20 partnership; however, the maximum amount of security for  
21 partnerships with fewer ~~than five licensed~~ persons shall not be  
22 less than five hundred thousand dollars (\$500,000), and for all  
23 other partnerships is not required to exceed five million dollars  
24 (\$5,000,000). *On and after January 1, 2008, the maximum*  
25 *amount of security for partnerships with fewer persons shall not*  
26 *be less than one million dollars (\$1,000,000).* The partnership  
27 remains in compliance with this section during a calendar year  
28 notwithstanding amounts paid during that calendar year from the  
29 accounts, funds, Treasury obligations, letters of credit, or bonds  
30 in defending, settling, or discharging claims of the type described  
31 in this paragraph, provided that the amount of those accounts,  
32 funds, Treasury obligations, letters of credit, or bonds was at  
33 least the amount specified in the preceding sentence as of the first  
34 business day of that calendar year. Notwithstanding the pendency  
35 of other claims against the partnership, a registered limited  
36 liability partnership or foreign limited liability partnership shall  
37 be deemed to be in compliance with this subparagraph as to a  
38 claim if within 30 days after the time that a claim is initially  
39 asserted through service of a summons, complaint, or comparable  
40 pleading in a judicial or administrative proceeding, the

1 partnership has provided the required amount of security by  
2 designating and segregating funds in compliance with the  
3 requirements of this subparagraph.

4 (C) Unless the partnership has satisfied subparagraph (D),  
5 each partner of a registered limited liability partnership or foreign  
6 limited liability partnership providing architectural services, by  
7 virtue of that person's status as a partner, thereby automatically  
8 guarantees payment of the difference between the maximum  
9 amount of security required for the partnership by this paragraph  
10 and the security otherwise provided in accordance with  
11 subparagraphs (A) and (B), provided that the aggregate amount  
12 paid by all partners under these guarantees shall not exceed the  
13 difference. Neither withdrawal by a partner nor the dissolution  
14 and winding up of the partnership shall affect the rights or  
15 obligations of a partner arising prior to withdrawal or dissolution  
16 and winding up, and the guarantee provided for in this  
17 subparagraph shall apply only to conduct that occurred prior to  
18 the withdrawal or dissolution and winding up. Nothing contained  
19 in this subparagraph shall affect or impair the rights or  
20 obligations of the partners among themselves, or the partnership,  
21 including, but not limited to, rights of contribution, subrogation,  
22 or indemnification.

23 (D) Confirming, pursuant to the procedure in subdivision (c),  
24 that, as of the most recently completed fiscal year of the  
25 partnership, it had a net worth equal to or exceeding ten million  
26 dollars (\$10,000,000).

27 (b) For purposes of satisfying the security requirements of this  
28 section, a registered limited liability partnership or foreign  
29 limited liability partnership may aggregate the security provided  
30 by it pursuant to subparagraphs (A), (B), (C), and (D) of  
31 paragraph (1) of subdivision (a), subparagraphs (A), (B), (C), and  
32 (D) of paragraph (2) of subdivision (a), or subparagraphs (A),  
33 (B), (C), and (D) of paragraph (3) of subdivision (a), as the case  
34 may be. Any registered limited liability partnership or foreign  
35 limited liability partnership intending to comply with the  
36 alternative security provisions set forth in subparagraph (D) of  
37 paragraph (1) of subdivision (a), subparagraph (D) of paragraph  
38 (2) of subdivision (a), or subparagraph (D) of paragraph (3) of  
39 subdivision (a) shall furnish the following information to the  
40 Secretary of State's office, in the manner prescribed in, and

1 accompanied by all information required by, the applicable  
2 section:

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TRANSMITTAL FORM FOR EVIDENCING COMPLIANCE  
WITH SECTION 16956(a)(1)(D), SECTION 16956(a)(2)(D), OR  
SECTION 16956(a)(3)(D) OF THE CALIFORNIA  
CORPORATIONS CODE

The undersigned hereby confirms the following:

- 1. \_\_\_\_\_  
Name of registered or foreign limited liability partnership
- 2. \_\_\_\_\_  
Jurisdiction where partnership is organized
- 3. \_\_\_\_\_  
Address of principal office
- 4. The registered or foreign limited liability partnership chooses to satisfy the requirements of Section 16956 by confirming, pursuant to Section 16956(a)(1)(D), 16956(a)(2)(D), or 16956(a)(3)(D) and pursuant to Section 16956(c), that, as of the most recently completed fiscal year, the partnership had a net worth equal to or exceeding ten million dollars (\$10,000,000), in the case of a partnership providing accountancy services, fifteen million dollars (\$15,000,000) in the case of a partnership providing legal services, or ten million dollars (\$10,000,000), in the case of a partnership providing architectural services.
- 5. \_\_\_\_\_  
Title of authorized person executing this form
- 6. \_\_\_\_\_  
Signature of authorized person executing this form

31 (c) Pursuant to subparagraph (D) of paragraph (1) of  
32 subdivision (a), subparagraph (D) of paragraph (2) of subdivision  
33 (a), or subparagraph (D) of paragraph (3) of subdivision (a), a  
34 registered limited liability partnership or foreign limited liability  
35 partnership may satisfy the requirements of this section by  
36 confirming that, as of the last day of its most recently completed  
37 fiscal year, it had a net worth equal to or exceeding the amount  
38 required. In order to comply with this alternative method of  
39 meeting the requirements established in this section, a registered  
40 limited liability partnership or foreign limited liability

1 partnership shall file an annual confirmation with the Secretary  
2 of State's office, signed by an authorized member of the  
3 registered limited liability partnership or foreign limited liability  
4 partnership, accompanied by a transmittal form as prescribed by  
5 subdivision (b). In order to be current in a given year, the  
6 partnership form for confirming compliance with the optional  
7 security requirement shall be on file within four months of the  
8 completion of the fiscal year and, upon being filed, shall  
9 constitute full compliance with the financial security  
10 requirements for purposes of this section as of the beginning of  
11 the fiscal year. A confirmation filed during any particular fiscal  
12 year shall continue to be effective for the first four months of the  
13 next succeeding fiscal year.

14 (d) Neither the existence of the requirements of subdivision (a)  
15 nor the extent of the registered limited liability partnership's or  
16 foreign limited liability partnership's compliance with the  
17 alternative requirements in this section shall be admissible in  
18 court or in any way be made known to a jury or other trier of fact  
19 in determining an issue of liability for, or to the extent of, the  
20 damages in question.

21 (e) Notwithstanding any other provision of this section, if a  
22 registered limited liability partnership or foreign limited liability  
23 partnership is otherwise in compliance with the terms of this  
24 section at the time that a bankruptcy or other insolvency  
25 proceeding is commenced with respect to the registered limited  
26 liability partnership or foreign limited liability partnership, it  
27 shall be deemed to be in compliance with this section during the  
28 pendency of the proceeding. A registered limited liability  
29 partnership that has been the subject of a proceeding and that  
30 conducts business after the proceeding ends shall thereafter  
31 comply with paragraph (1), (2), or (3) of subdivision (a), in order  
32 to obtain the limitations on liability afforded by subdivision (c)  
33 of Section 16306.

34 *SEC. 2. Section 5 of Chapter 504 of the Statutes of 1998, as*  
35 *amended by Section 2 of Chapter 595 of the Statutes of 2001, is*  
36 *amended to read:*

37 SEC. 5. The authorization in this act for registered limited  
38 liability partnerships and foreign limited liability partnerships to

- 1 engage in the practice of architecture shall terminate on January
- 2 1, ~~2007~~ 2012 .

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